

“ESP & CLIL: friends, false friends or foes?”

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Lab 4-CLIL BUSINESS ADMINISTRATION


**An Introduction to Financial
Statements through the analysis of a
balance sheet**

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Module

Financial Accounting

- IAS
- IFRS
- Financial Statements
 - The Statement of Financial Position 
 - The Income Statement
 - The Statement of Cash Flow
 - The Statement of Changes in Equity

The structure of the lesson

- **I Part: warming up the audience**
 - presenting
 - a famous statement
 - a headline
 - a video
- **II Part: presenting the topic**
 - sharing learning objectives with learners
 - presenting the topic (PowerPoint, Prezi, Ted-Lesson)
 - analysing the terminology (Language competence)
 - making students work on different type of tasks
- **III Part: wrapping up**
 - summing up the key concepts
 - sharing ideas
 - giving instructions for homework

Lesson plan

Prerequisites

- The role of *IAS/IFRS*
- Basic structure of *Statement of financial position* according to the Italian civil law
- Margins on a company financial and capital structure

Learning Objectives

By the end of this lesson

- you'll know:
 - the sections of a Statement of financial position;
 - the main line-items included in every section
- you'll be able
 - to complete a simple balance sheet

Lesson plan

Materials

- The H&M Balance Sheet 2016
- Passages excerpted from the notes to B.S.

Learners' activities

- Tasks (*working in small groups*)
 - Matching words/definitions
 - Completing/ Labelling
 - Evaluating

Language competence



- Terminology
- Grammar structures encountered over the lesson

Materials and sources

- [H&M Group website](#)

H&M Group balance sheet

SEK M 30 NOVEMBER	2016	2015	SEK M 30 NOVEMBER	2016	2015
ASSETS			EQUITY AND LIABILITIES		
FIXED ASSETS			EQUITY		
<u>Intangible fixed assets</u>			Share capital, note 18	207	207
Brands, note 11	66	114	Reserves	2,651	1,904
Customer relations, note 11	20	32	Retained earnings	58,378	55,938
Leasehold and similar rights, note 11	630	660	TOTAL EQUITY	61,236	58,049
Capitalised expenditures, note 11	4,567	3,245	LIABILITIES		
Goodwill, note 11	64	64	<u>Long-term liabilities</u>		
	5,347	4,115	Provisions for pensions, note 19	527	449
<u>Property, plant and equipment</u>			<u>Deferred tax liabilities, note 10</u>	4,898	4,378
Buildings and land, note 12	850	797	Other interest-bearing liabilities, note 13, 23	213	-
Equipment, tools, fixture and fittings, note 12	37,843	32,165		5,638	4,827
	38,693	32,962	<u>Current liabilities</u>		
<u>Financial fixed assets</u>			Accounts payable	7,262	6,000
Long-term receivables	1,014	862	Tax liabilities	434	-
<u>Deferred tax receivables, note 10</u>	2,862	2,338	Liabilities to credit institutions, note 23	2,068	-
	3,876	3,200	Interest-bearing liabilities, note 13, 23	59	-
TOTAL FIXED ASSETS	47,916	40,277	Other liabilities	5,036	3,192

H&M Group balance sheet

CURRENT ASSETS			Accrued expenses and prepaid income, note 21		
<u>Stock-in-trade, note 14</u>	31,732	24,833		16,846	13,745
Current receivables				31,705	22,037
Accounts receivable	4,881	4,021	TOTAL LIABILITIES	37,343	27,764
Tax receivables	-	379	TOTAL EQUITY AND LIABILITIES	98,579	85,813
Other receivables	2,533	1,469	Pledged assets and contingent liabilities, note 27	-	-
<u>Prepaid expenses, note 15</u>	2,071	1,884			
	9,485	7,753			
Cash and cash equivalents, note 16	9,446	12,050			
TOTAL CURRENT ASSETS	50,663	45,536			
TOTAL ASSETS	98,579	85,813			



11. INTANGIBLE FIXED ASSETS

Intangible fixed assets with a **finite useful life** are reported at acquisition cost less accumulated amortisation and any accumulated writedowns.

Amortisation is distributed linearly over the assets' expected useful life.

.....

Goodwill is the amount by which the acquisition cost of the subsidiary's shares exceeds the calculated value of the subsidiary's net identifiable assets upon acquisition.

Intangible assets with an **indefinite useful life**, including goodwill, are **tested for impairment** annually or more often if there is an indication of a decline in value.



14. STOCK-IN-TRADE

Stock-in-trade is valued **at the lower of the acquisition cost and the net realizable value.**

From the moment the goods are transferred from the supplier to the transport service provider appointed by H&M, the goods are owned according to civil law by H&M and become part of H&M's reported stock-in-trade.

The net realizable value is the estimated market value less the calculated selling expenses.



10. TAX

Deferred tax is calculated on temporary differences arising between **reported and fiscal values** of assets and liabilities



15. PREPAID EXPENSES


Assets





	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
Prepaid rent	1,527	1,431	0	0
Other items	544	453	-	0
Total	2,071	1,884	0	0

21. ACCRUED EXPENSES AND PREPAID INCOME

Liabilities



	GROUP		PARENT COMPANY	
	2016	2015	2016	2015
Holiday pay liability	1,359	1,235	-	-
Social security costs	845	758	0	1
Payroll liability	1,427	1,153	0	0
Costs relating to premises 	9,026	7,185	-	-
Other accrued overheads 	4,189	3,414	7	7
Total	16,846	13,745	7	8

Assets classification

Non current assets

- Intangible assets
- Property, plant and equipment
- Financial assets

Current assets

- Inventory
- Accounts receivable
- Prepaid expenses
- Accrued revenues
- Cash and cash equivalent

Assets are economic resources that an entity owns or controls

Non current assets

- Non current assets or fixed assets are long-term resources, such as plants, buildings, equipment, fixtures and fittings, machinery...
- They are expected to be converted into cash beyond one year

Current assets

- Current assets include:
inventory, accounts receivable, various prepaid expenses and accrued revenues, cash and cash equivalents
- They are expected to be converted into cash within one year.

Intangible assets

- Intangible assets are economic resources that have no physical presence.
- They include patents, trademarks, copyrights, brands, leasehold and similar rights, capitalized expenditures and goodwill.

Financial assets

- Financial assets represent investments in the assets and securities of other institutions.
- Financial assets include shares, sovereign and corporate bonds, long-term receivables...

Liabilities classification

- **Non current liabilities** (long-term liabilities)
- **Current liabilities**

Liabilities are financial debts or obligations that an entity owes to other organizations.

Non current liabilities

- Long term liabilities are due beyond one year after the reporting period
- They include loans, mortgages, provisions for pensions and other interest-bearing debts

Current liabilities

- Current liabilities are expected to be settled within 12 months after the reporting period.
- They include: accounts payable, accrued expenses and prepaid income, other short-term debts

Glossary

LANGUAGE COMPETENCE



Glossary



Current liabilities are expected to be settled within 12 months after the reporting period

settle

Business English

verb • UK  /'setl/ US 

★ [T] to pay money that you owe:

settle a bill/debt

*Only half of their clients **settled** their **accounts** on time.*

<http://dictionary.cambridge.org>



Glossary



Liabilities are financial debts or obligations that an entity owes to other organizations.

owe

Business English

verb [T] • UK  /əʊ/ US 

★ FINANCE, COMMERCE **to need to pay or give something to someone because they have lent money to you:**

owe sb \$5/\$500, etc. I owe you £200.

owe \$5/\$500, etc. to sb *The company owes \$618 million to its creditors.*

<http://dictionary.cambridge.org>




Glossary



provision

Business English

noun • UK  /prə'vɪʒən/ US 

★ [C or U] ACCOUNTING, FINANCE in a company's accounts, an amount of money that is kept in case of a possible future loss or debt:

“Half of the UK banks surveyed expect to have to increase their provisions for bad loans by as much as 25 per cent.”

<http://dictionary.cambridge.org>

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Glossary



goodwill

Business English

noun [U] • **UK**  /gʊd'wɪl/ **US** 

- ★ **COMMERCE** the value to a company or organization of things that cannot be directly measured, for example, its good reputation or its customers' loyalty:
- ★ **ACCOUNTING** the difference between the value of a company's assets and what profit it is expected to make in the future, which is included in the price paid when it is bought or sold:



We expect the business to raise at least \$100,000 in goodwill.



Glossary



security

noun • **UK**  /sɪˈkjʊərəti/ **US** 

★ [U] the protection of people, organizations, countries, etc. against a possible attack or other crime:

border/homeland/national security

boost/improve/tighten security Airport security has been tightened since the terrorist threat.

[C, usually plural] **PLURAL securities** **FINANCE**, **STOCK MARKET** a financial investment such as a bond or share that is traded on a financial market:

buy/hold/sell securities Investors who bought securities made up of subprime loans suffered the biggest losses.

deal in/invest in/issue securities

<http://dictionary.cambridge.org>





Glossary



retained earnings

Business English

noun [plural] • **UK**  **US**  (ALSO retained profit,)(accumulated earnings,)
(accumulated retained earnings) ACCOUNTING, FINANCE

★ **the part of a company's profit in a particular period that it decides to keep, rather than paying it to shareholders as a dividend:**

PNC had retained earnings of \$302 million that can be used to help make debt payments or be reinvested in the company.

<http://dictionary.cambridge.org>



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Glossary



premises

noun [plural] • **UK**  /'prem.i.sɪz/ **US**  /'prem.i.sɪz/

★ **C1** the land and buildings owned by someone, especially by a company or organization:

The company is relocating to new premises.

overheads

Business English

noun [plural] • **UK**  /'əʊvəhedz/ **US**  UK (US overhead [C or U])

★ **ACCOUNTING**, **FINANCE** the regular and necessary costs, such as rent and heating, that are involved in operating a business:

cut/reduce/slash overheads *The combined company aims to reduce annual overheads by as much as £2 billion.*

<http://dictionary.cambridge.org>

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Glossary



What is a 'Prepaid Expense'

- A prepaid expense is a type of asset that arises on a balance sheet as a result of business making payments for goods and services to be received in the near future.



Glossary

FINANCIAL TIMES
ft.com/lexicon

Definition of accrued expense

The value of goods or services that were bought by a business or organization during a particular period of time, even if it pays for them in a later period. [1]

Definition of accrued income

The total amount of money earned by a company during a particular accounting period, whether paid or still owed to them. [1]

- <http://lexicon.ft.com>

Handouts

LEARNERS' ACTIVITIES

Task 2

Match the words with the correct definition

1	Assets	Assets-Liabilities	A
2	Liabilities	Tangible assets	B
3	Equipment	The amounts of money that a company owes to other organizations	C
4	Accounts receivable	Financial fixed assets	D
5	Shareholders' Equity	Resources with an economic value	E
6	Long-term Receivables	The amounts of money that are owed to a company by its customers	F

1	2	3	4	5	6

LOTS

Property, plant and equipment	1672
Long term loans	680
Tax payable	250
Inventory	890
Cash and cash equivalents	860
Accounts receivable	930
Accounts payable	650
Retained earnings	800
Goodwill	900
Prepaid expenses	95
Securities	1100
Accrued expenses	87
Provisions for risks	700
Reserves	1510
Deferred tax assets	130
Capital share	1900

Task 3

Put the following items in the

correct place of the Balance sheet

LOTS

Assets	€	Equity and Liabilities	€
Non current assets		Equity	
		Non current Liabilities	
Current assets			
		Current Liabilities	
Total Assets		Total Equity and Liabilities	

Task 4

Using the H&M Group Balance sheet, calculate the following margins in order to assess the financial health of the company

HOTS

	2016	2015
Net working capital		
Treasury margin		
Equity - fixed assets		
(Equity + long term liabilities) - fixed assets		

Ted-Ed Lesson

- [Balance Sheet Explained](#)



Useful Links

- [IAS n.1 Presentation of Financial statements](#)
- [IAS n.1](#)
- [The Conceptual Framework of Financial Reporting 2010](#)
- [H&M Group website investors section](#)
- [Investopedia](#)
- [BusinessDictionary](#)
- [Financial Times lexicon](#)
- [Ted ED Lesson](#)
- [Future Learn " Teaching your subject in English"](#)

Thank you!

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