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ESL Podcast 232 – Business Bookkeeping

GLOSSARY

on the side – extra; in addition to one’s regular job

* Janice works as a science teacher at the high school, but she offers private classes for younger students on the side to make extra money.

accounting – the study or job of keeping correct records of money spent and received by a business or organization

* Kareem is detail-oriented and he’s very good at math. Has he considered a career in accounting?

bookkeeping – keeping correct records of money that a business or organization spends or receives

* Shelly and her husband run a small business together. She is responsible for marketing and sales, and he is responsible for bookkeeping.

cash flow – having enough cash for a business to pay its bills

* The company had a problem with cash flow last month, and the owners had to request a bank loan to pay their employees.

ledger – the book or computer file in which a business or organization records money that it spends and receives

* Years ago, ledgers were written by hand, but today, they are usually computerized.

debit – money that is spent by a business or organization; money that should be subtracted or taken away; payments

* These records don’t look right. Did you remember to record the debit after we made that big product purchase?

credit – money that a business or organization receives; money that should be added

* She was happy to see that there were more credits than debits in her account last month.

break-even point – the point where a business’s revenues (money received) are equal to its total expenses (money spent)

* When the business finally reached its break-even point, the owners had a party to celebrate their success.



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ESL Podcast 232 – Business Bookkeeping

asset – something that has value or is worth money and is owned by a business, organization, or person

* Miyung doesn't have very much money in the bank, but he does have other assets: a big house, an expensive car, and a new boat.

liability – money that a business, organization, or person owes to someone else

* The bills that a company needs to pay should be listed as liabilities on its financial statements.

administrative expense – cost of operating a business, such as telephone bills, secretary salaries, and paper for the printers and copiers

* Every time we hire a secretary, our administrative expenses go up. Are you sure you need another assistant?

budget – a plan for how a business, organization, or person will spend money

* When the price of gasoline increased, the bus company had to make changes to its budget.

accounts payable – money that a company owes; bills that a company has not yet paid

* Bills are sent to the accounts payable department, where employees enter the information into a computer and print a check for payment.

balance sheet – a document that shows how much money and other assets (things that are worth money) a company has and how much money it has paid over a period of time

* Before investing in a company, it is always a good idea to study the balance sheet to learn more about its financial position.

expense – money that is spent or will need to be spent in the future; cost

* College students' expenses include tuition, books, housing, and food.

receipt – a piece of paper that is received when one pays for something; proof showing that a person has paid money for something

* The landlord says that I still need to pay him \$100 for last month's rent, but this receipt shows that I already paid the rent in full.

to audit – to look carefully at a business's financial records to determine if they are correct

* When the company was audited last year, the auditors discovered that the accountant had been stealing money.



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ESL Podcast 232 – Business Bookkeeping

IRS – Internal Revenue Service; the agency that collects taxes in the U.S.

* If you are honest about your finances and pay your taxes regularly, you don't have any reason to be afraid of the IRS.

COMPREHENSION QUESTIONS

1. Why is Magdalena talking to Rolando about accounting?
 - a) Magdalena is starting a new business and wants some advice.
 - b) Magdalena is being audited by the IRS and needs his help.
 - c) Magdalena wants to hire Rolando as her accountant.
2. Magdalena's current accounting system is:
 - a) Horrible, because she isn't keeping track of the right information.
 - b) Okay, but it could be improved if she kept better track of her receipts.
 - c) Perfect, so she doesn't need to change anything.

WHAT ELSE DOES IT MEAN?

on the side

The phrase “on the side,” in this podcast, means something that is in addition to one's regular job: “Gisele works in a bakery during the day, and sells cakes to her friends on the side.” The phrase “on the side” can also refer to a food that is ordered and served separately: “Waiter, I'd like a salad, but please put the dressing on the side.” To “side with someone” is to support someone in an argument: “The judge sided with the mother and said that the child should live with her.” Finally, to have something “on one's side” means to have an advantage: “The politician has a lot of money on his side, so he may get elected senator even though he isn't very popular.”

to audit

In this podcast, the verb “to audit” means to review a business's financial records to see whether they are correct: “We audited the company for two weeks and we didn't find any problems.” The verb “to audit” can also mean to attend a university course without taking the exams or receiving a grade: “He wanted to learn about Southeast Asian history, but he knew that he wouldn't have very much time to study, so he chose to audit the course.” As a noun, an “audit” is the examination of a company's financial statements, and it is usually presented in an “audit report.” For example, “During the audit, the employees had to work more than 12 hours per day.”



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ESL Podcast 232 – Business Bookkeeping

CULTURE NOTE

In the United States, each person is responsible for paying his or her own taxes. When people begin working for a company, they complete a “W-4 form,” a federal (national) government document that asks for personal information. The W-4 determines how much money the company should “withhold” or not pay to the employee so that that money can be paid to the government for taxes. These “withholdings” are “deducted” (subtracted) from the employee’s “wages” (the money that an employee earns). The company collects these “withholdings” throughout the year and sends the money to the state and federal governments.

In early January each year, employers mail a W-2 form to their employees. These forms show how much money was withheld during the year. People use these W-2 forms to “file” or fill out and submit their tax forms by April 15 each year. If the total amount of taxes is more than the amount of the “employee withholdings,” that person needs to write a check to the U.S. government to pay for what they still owe. If the total amount of taxes is less than the amount that was withheld, then the U.S. government owes that person a “tax refund” and sends a check to the individual in late spring.

If tax forms are filled out incorrectly or if they are submitted late, there are large “fines” or money that must be paid to the government as punishment. The IRS audits individual tax filings to look for these kinds of errors, so it is important for individuals to keep their receipts and other tax-related documents in case the IRS has questions or finds a problem.

Many people are able to file their own taxes, but sometimes the forms are very complicated if, for example, an individual owns his or her own business or has many “foreign investments” (money in businesses in other countries). In these cases, individuals sometimes hire accountants to file their taxes for them.

Comprehension Questions Correct Answers: 1 – a; 2 – b



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English as a Second Language Podcast

ESL Podcast 232 – Business Bookkeeping

COMPLETE TRANSCRIPT

Welcome to English as a Second Language Podcast number 232: Business Bookkeeping.

This is English as a Second Language Podcast episode 232. I'm your host, Dr. Jeff McQuillan, coming to you from the Center for Educational Development in beautiful Los Angeles, California.

Remember to visit our website at eslpod.com and download the Learning Guide for this episode.

In today's episode, we're going to talk about doing bookkeeping at a business. Let's get started.

[Start of story]

I have a day job, but I recently started a small business on the side. I didn't know anything about accounting and my friend, Roland, said that he would give me some advice.

Roland: So, the reason that you need to do your bookkeeping is so you can manage your cash flow. Even if you have a lot of orders, you may still have problems paying your bills.

Magdalena: I see what you mean. Is this the kind of ledger I should be keeping?

Roland: Yes, definitely. You want to list your debits on this side and your credits on this side. This will help you figure out important things like your break-even point, your assets and liabilities, your administrative expenses, and whether you're staying within your budget.

Magdalena: I wish I had an accounts payable department to help me with all this. I don't even know how to create a balance sheet.

Roland: It's not that hard if you use the right accounting program. The first thing to do is to keep track of your expenses. How do you do that now?

Magdalena: Oh, I have a system. I keep all my receipts in this bag.



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ESL Podcast 232 – Business Bookkeeping

Roland: Oh. Well, it's good that you're keeping your receipts but you'll have to keep better track of them. What would you do if you were audited by the IRS?

Magdalena: Don't even mention the IRS! I've got enough problems without worrying about them!

[End of story]

This podcast is all about business vocabulary related to accounting. The title of the podcast is "Business Bookkeeping." Bookkeeping is keeping correct records of the money that you spend and receive. Usually, this is something that a company or an organization does.

The story begins by Magdalena saying that she has "a day job." A day job is your regular job that you work at from nine in the morning 'til five in the afternoon, for example. She also has "a small business on the side." When we say we are operating or running a business on the side, we mean that it is extra, it's an addition to your regular job. There are some other meanings of this expression, on the side, take a look at the Learning Guide for those additional definitions.

Magdalena continues by saying that she "didn't know anything about accounting and" her "friend, Roland, said he would give" her "some advice." Accounting is the job of keeping correct records of the money you spend; it's very similar to bookkeeping. When we talk about bookkeeping, usually we're talking about a person who keeps the books or the records for a company, but may not necessarily be an accountant. An accountant is someone who has a college degree and perhaps has a special certification - a special kind of training to do taxes and that sort of thing. So, accounting is usually something a little more complicated than bookkeeping, but they're often used interchangeably as well - that is, one for the other

Roland begins by saying that "the reason that you need to do your bookkeeping is so you can manage your cash flow." Cash flow, "flow," means having enough money to run your business - to pay your bills. You may, for example, have to pay a lot of bills at the beginning of the month but most of your money doesn't come until the end of the month, so you have to plan to make sure that when the new month begins, you still have enough money to pay. This is part of cash flow.

Roland says, "Even if you have a lot of orders, you may still have problems paying your bills." A lot of orders means a lot of things that people want to buy



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ESL Podcast 232 – Business Bookkeeping

from you. But, if they don't pay you right away - they don't pay you immediately - then you need to have extra money to pay your bills.

Magdalena says, "I see what you mean. Is this the kind of ledger I should be keeping?" A ledger, "ledger," is a book or, nowadays, a computer program where a business or an organization puts down the money - records the money that it spends and it receives. So, a ledger is a tool that you use in bookkeeping and accounting. It's a list of the things that you have spent your money on and that you have received money for.

Roland says that it is the kind of ledger that she needs. He says you'll, "want to list your debits on this side and your credits on" the other side. A debit, "debit," is money that you spend - money that goes out. Credit, "credit," in accounting, is money that you receive - money that comes in to the company.

Roland goes on to say that, "This will help you figure out important things like your break-even point." Your break, "break," (hyphen) even, "even," point is when you are getting more money in than you are spending. There's more money coming in - what we would call revenue - than there is going out - what we would call expenses. After you get to that point, you start to make money; it's very simple!

Your assets and liabilities are also things that you can keep track of, or make sure that you have a list of in a ledger. Assets, "assets," are things they have value - things that are worth money - things that your business owns, such as a building or certain materials you use to make your product. Liabilities, "liabilities," are the things that you have to pay someone else. They're things that you owe to someone else, "owe," meaning you have a loan, for example, and you need to pay the loan; that would be a liability.

Roland says Magdalena can also keep track of her "administrative expenses." We know expenses is money that you spend - money that the company uses to pay its bills - to buy things. Administrative is related to the cost of operating your business - your telephone bill, your electricity bill and so forth.

Roland finally says this will also help you know if you are "staying within your budget." A budget, "budget," is a plan for how you are going to be spending your money, in this case. To stay within your budget is an expression that means not to spend more than you had planned to spend.



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ESL Podcast 232 – Business Bookkeeping

Magdalena says that she wished she “had an accounts payable department to help” her “with all this.” Accounts payable, “payable,” is the money that a company owes someone else. In most big companies, there's an accounts payable department, and these are the people who pay the bills of the company. The opposite would be accounts receivable, and accounts receivable are the people that take the money in - keep track of the money that the company gets from its customers.

She also says that she doesn't “know how to create a balance sheet.” A balance sheet, “balance,” sheet, “sheet,” is a document that tells you how much money - how much you have in assets - things that are worth money, and how much money you have paid - how much you owe other people. This is a balance sheet. Usually you can see if a company is in good financial condition - in good financial shape - by looking at its balance sheet - a list of all of the things the company gets in and all the things that the company spends. A balance sheet is like a short summary of the company's financial situation.

Magdalena says she has a system to keep track of her expenses. Remember, expenses is money that you pay someone for the things that your company uses. Magdalena's system is to keep all of her receipts in a bag. Receipts, “receipts,” are pieces paper that show that you have paid something to someone. So, when you go to the store and you buy a new shirt, the store will give you a receipt saying here's how much you spent. It's very important for businesses to keep their receipts because the government may want to know if they have proof - evidence - that they paid these expenses.

That's why Roland says that she needs to prepare in case she is “audited by the IRS.” The IRS stands for the Internal Revenue Service, and it's the department in the government that takes care of all of the taxes. To audit someone, “audit,” is to look very carefully at the money that they have spent to make sure that it is correct. The government wants to make sure that you have not claimed more expenses than you really had. To claim expenses, “claim,” is to say to the government - to the IRS - “Well, we spent this much money, and we can prove that with some receipts.” If you can't prove it with receipts, and the IRS decides to look at your financial records, and they think that you are cheating the government - you're not paying enough taxes - well, you don't want to be in that situation because you may end up going to jail!

Magdalena ends the dialogue by saying, “Don't even mention the IRS” - don't talk about the IRS. I have “enough problems without worrying about them!”



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ESL Podcast 232 – Business Bookkeeping

Now let's listen to the dialogue, this time at a native rate of speech.

[Start of story]

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Magdalena: I wish I had an accounts payable department to help me with all this. I don't even know how to create a balance sheet.

Roland: It's not that hard if you use the right accounting program. The first thing to do is to keep track of your expenses. How do you do that now?

Magdalena: Oh, I have a system. I keep all my receipts in this bag.

Roland: Oh. Well, it's good that you're keeping your receipts but you'll have to keep better track of them. What would you do if you were audited by the IRS?

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[End of story]

The script for today's podcast was written by Dr. Lucy Tse.

If you have a question or comment about ESL Podcast, you can send us an email at eslpod@eslpod.com.



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ESL Podcast 232 – Business Bookkeeping

From Los Angeles, California, I'm Jeff McQuillan. Thanks for listening. We'll see you next time on ESL Podcast.

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