新世纪会计学专业精品教材

国家级双语教学示范课程

会计专业英语教程（第二版）

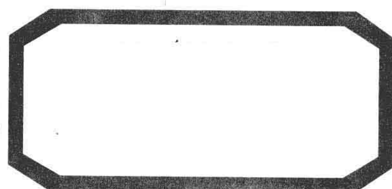
English in Accounting Profession

马建威　何玉润　编著

Bob & Faye Anderson　语校

东北财经大学出版社

Dongbei University of Finance & Economics Press



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前言

随着国际企业“引进来”和国内企业“走出去”的不断发展，中国会计不仅在制度和理论上，更是在实务中，与国际会计实现了实质性且持续性趋同。同时，随着中国会计的进一步国际化，会计人员也必将与国际会计实现无缝对接。这一切都对广大会计人提出了更高的要求，尤其是在专业英语方面。一本好的专业英语教材无疑会帮助会计专业学生和会计从业人员更好地掌握“专业+英语”的相关知识，本书试图在这方面发挥一些有益的作用。

本书第二版是在第一版的基础上修改完成的。在保持第一版的优势的基础上，与同类教材相比，第二版具有如下特点：

1. 成果丰硕，中国特色明显。本书是马建威博士主持的2008年度教育部双语教学示范课程“中级财务会计”（Intermediate Financial Accounting）的配套教材及阶段性成果之一，也是2007年度国家级人才培养模式创新实验区：会计学全英语教学实验区的重要成果之一。本书中相当一部分内容由作者编写，直接阐述了中国会计的最新发展，并与FASB、IASB进行了呼应；书中很多案例或例题直接采用了部分中国企业的相关内容，如Chapter 11中的报表就引用了PetroChina Company Limited（中国石油天然气股份有限公司）的2011年年报，充分体现了会计专业英语的“本土化”。

2. 源于教学实践，针对性极强。本书来源于我们10多年来会计专业英语教学和全英语会计学专业教学的积累，针对性极强，可以满足会计学专业、财务管理专业和注册会计师专业等相关专业的英语教学的需要。

3. 体系完整，结构合理，深度和广度相结合。本书按照会计信息的生成、使用、审计的逻辑顺序安排章节。其中会计部分按照资产、负债、所有者权益、收入、费用、利润等六要素的顺序安排章节。会计信息的生成环节包括：第1章，财务会计概念框架；第2章至第7章，资产，分别为现金及内部控制、应收款项、存货、固定资产、无形资产和投资；第8章，负债；第9章，收入、费用和利润；第10章，所有者权益；第11章，财务报表。会计信息的使用环节为第12章，报表分析。会计信息的审计环节包括：第13章，审计理论；第14章，审计工作底稿及审计报告；第15章，其他鉴证业务及质量控制。此外，书后增加了两个附录，其中附录A为《企业会计准则——基本准则（英文）》，附录B为《企业会计科目表（中英文）》。

4. 章节设计严谨、合理。每章以Feature Topic作为切入话题，继而列出本章的Chapter Skeleton，介绍本章的主要内容和学习目标；在正文之后，Chapter

Summary 对本章内容作一个小结，然后列出 Key Terms 并作了诠释；在课后练习与巩固环节，我们设计了 Self-Test（ST）、Questions for Discussion（QFD）、Exercises（Ex）等练习类型，帮助读者更好地掌握和应用所学知识；最后，每章 Broadening Your Perceptive 环节提供了一到两篇补充阅读材料，以期对拓展读者的视野有所帮助。

5. 便于查阅和复习掌握。本书每章之后都提供本章重要专业术语的详细注解。正文后提供了两个附录，以方便读者掌握各章重要词汇和专业术语，且便于查阅；形式多样的习题，将帮助读者巩固已学的内容。每章之后提供的相关阅读材料，充分体现时效性、国际性、专业性和可读性，可以帮助读者迅速提高专业英语语感和阅读能力。

6. 行文地道、纯正、专业。本书英文文本部分取材于国际知名高校的会计学、财务管理和审计学专业的教材、学术期刊或主流媒体等，部分由从事专业教育多年的教师编写，在向读者展现真正地道的专业英语的同时，还能充分体现中国会计专业的最新内容。

7. 适合对象广泛。本书不仅适合高等院校本科生和研究生会计学、财务管理和审计学专业用作专业英语教学和双语教学的理想教材，而且其他会计从业人员、教学人员、管理人员、审计和税务人员等也可用作阅读材料。本书向读者提供了丰富的会计专业英语资料，读者更可以将本书作为工具书和专业资料，使其成为专业人员的“案头必备”。

本书由马建威副教授、何玉润副教授编著，具体分工为：马建威：第 1、5、6、7、8、12、13、14、15 章；何玉润：第 2、3、4、9、10、11 章。其他参与人员还有：敏伊贞、沙莎、梁超、余芹、唐思思、黄文、李伟、贺菊霞、拓万敏等，他们或参与资料搜集，或参与初稿编写，或参与校对，做了大量工作。全书由马建威设计大纲、统稿和总纂，由 CCTV 原美籍英语专家 Bob & Faye Anderson 语校。

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本书的出版既是一个阶段工作的总结和汇报，又是一个新的开始，我们期盼读者的意见和建议，以期改进。

马建威

2012 年 6 月 10 日

适逢兰州国际马拉松比赛之际

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Chapter 1 Financial Accounting Conceptual Framework

Feature Topic

What Is Accounting?

Some people think of accounting as a highly technical field which is practiced and understood only by professional accountants. Actually, nearly everyone practices "accounting" in one form or another on an almost daily basis. Accounting is the art of interpreting, measuring, and communicating the results of economic activities. Whether you are paying your phone bill, balancing your checkbook, preparing your income tax return, or managing a multinational corporation, you are working with accounting concepts and accounting information.

Accounting has often been called the language of business. It is the method companies use to communicate financial information to their employees and to the public. And information is important for many decisions. Such terms as assets, liabilities, net income, cash flow, and earnings-per-share are but a few examples of technical accounting terms widely used throughout the business world. Every investor, manager, and business-decision maker needs a clear understanding of accounting terms and concepts if he or she is to participate and communicate effectively in the business community.

The use of accounting information is not limited to the business world. We live in an era of accountability. An individual must account for his or her income and must file income tax return. Often an individual must supply personal accounting information in order to qualify for a loan, to obtain a credit card, or to be eligible for a college scholarship.

The study of accounting should not be limited to students majoring in accounting or finance. Everyone who engages in economic activity, which means everyone, will benefit from understanding the nature, significance, and limitations of accounting information.

Chapter Skeleton

The primary purpose of this chapter is to explore the nature of accounting information and the environment in which it is developed and used. We emphasize the financial accounting conceptual framework, including the purpose of accounting and financial reporting, accounting basis and assumptions, accounting principles and measurement bases, and the

qualitative characteristics of financial accounting information.

After studying this chapter you should be able to meet these learning objectives:

- ◆ Define accounting, financial accounting, and financial statement.
- ◆ Describe and prepare a balance sheet; define assets, liabilities, and owner's equity.
- ◆ Explain the accounting bases and assumptions.
- ◆ Describe the accounting principles and measurement bases and qualitative characteristics of financial accounting information.

1.1 The Purpose of Accounting and Financial Reporting

1.1.1 Accounting

Accounting may be described as the process of identifying, measuring, recording, and communicating economic information to permit informed judgments and decisions by users of that information.

The origins of accounting are generally attributed to the work of Luca Pacioli, an Italian Renaissance mathematician. Pacioli was a close friend and tutor to Leonardo da Vinci and a contemporary of Christopher Columbus. In his text *Summa de Arithmetica, Geomatria, Proportione et Proportionalite*, Pacioli described a system to ensure that financial information was recorded efficiently and accurately.

With the advent of the industrial age in the nineteenth century and, later, the emergence of large corporations, a separation of the owners from the managers of business took place. As a result, the need to report the financial status of an enterprise became more important, to ensure that managers acted in accord with the owners' wishes. Also, transactions between businesses became more complex, making necessary improved approaches for reporting financial information. Our economy has evolved into a post-industrial age—the information age—in which many "products" are information services. The computer has been the driver of the information age.

The basic purpose of accounting is to provide decision makers with information useful in making economic decisions. These decisions concern the allocation and use of scarce resources, such as money, land, and labor. The manner in which we allocate and use economic resources shapes the world's economies. Resource allocation decisions determine prices, wages, the goods and services we produce, the adequacy of our food supplies, the quality of our transportation systems, and which countries will prosper or suffer economic decline.

Just as there are many different types of economic decisions, there are many types of accounting information. The terms, *financial accounting*, *management accounting*, and

tax accounting, are often used in describing the types of accounting information most widely used in the business community. Because our primary focus is financial accounting, we will explain the purpose of financial accounting in the following paragraphs.

1.1.2 Financial Accounting

Financial accounting refers to information describing the financial resources, obligations, and activities of an economic entity (either an organization or an individual). Accountants use the term *financial position* to describe an entity's financial resources and obligations at one point in time, and the term *results of operation* to describe its financial activities during the year.

Financial accounting information is designed primarily to assist investors and creditors in deciding where to place their scarce investment resources. Such decisions are important to society, as they determine the financial resources necessary for growth, or lack of growth. However, many other decision makers also make use of financial accounting information. A company's manager and employees constantly need such information in order to run and control daily business operations. For example, they need to know the amount of money in the company's bank accounts, the types and quantities of merchandise in the company's warehouses, and the amounts owed to specific creditors. Financial accounting information also is used in income tax returns. In fact, financial accounting information is used for so many different purposes that it is often called general-purpose accounting information.

A business is an organization in which basic resources (inputs), such as materials and labor, are assembled and processed to provide goods and services (outputs) to customers. A business's customers are individuals or other businesses that purchase goods and services in exchange for money or other items of value.

The objective of most business is to maximize profits. Profit is the difference between the amounts received from customers for goods or services provided and the amounts paid for the inputs used to provide the goods and services. Some businesses, such as medical research and conservation of natural resources, operate with an objective other than to maximize profits.

What is the role of financial accounting in business? The simplest answer to this question is that financial accounting provides information for managers to use in operating the business. In addition, financial accounting provides information to other stakeholders to use in assessing the economic performance and the condition of the business. You may think of financial accounting as the "language of business". This is because financial accounting is the means by which business information is communicated to stakeholders.

For example, financial accounting reports summarizing the profitability of a new product help TCL management decide whether to continue selling the product. Likewise, financial analysts use accounting reports in deciding whether to recommend the purchase of a particular stock, for example, Sinopec. Banks use accounting reports in determining the amount of credit to extend to Sinopec. Suppliers use accounting reports in deciding whether to offer credit for Sinopec's purchase of supplies and raw materials. State and federal governments use accounting reports as a basis for assessing taxes on Sinopec.

The process by which financial accounting provides information to business stakeholders is given in Illustration 1-1.

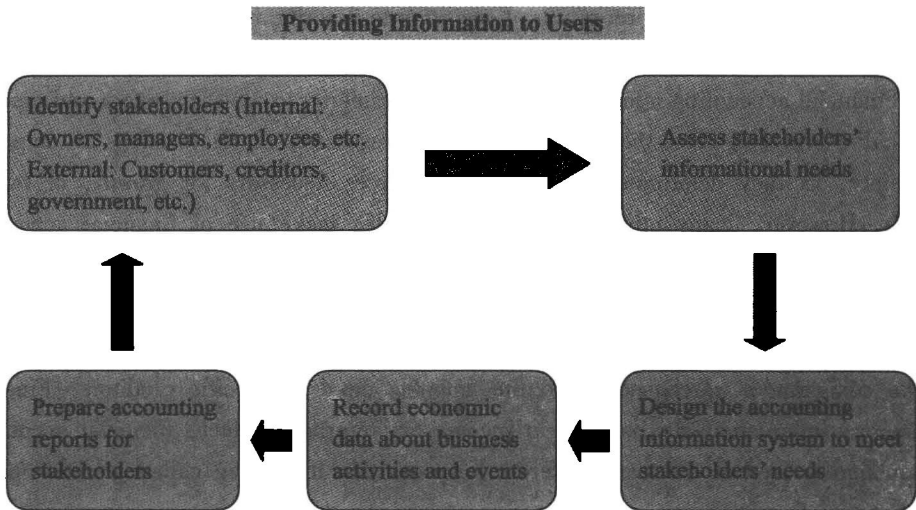

Illustration 1-1 Financial Accounting Information and the Stakeholders of a Business

Stakeholders use financial accounting information reports as a primary source of information on which they base their decisions. They use other information as well. For example, in deciding whether to extend credit to an appliance store, a banker might use economic forecast to assess the future demand for the store's products. During periods of economic downturn, the demand for consumer appliances normally declines. The banker might inquire about the ability and reputation of the managers of the business. For small corporations, bankers may require major stakeholders to personally guarantee the loans of the business. Finally, bankers might consult industry publications that rank similar businesses as to their quality of products, customer satisfaction, and future prospects for growth.

All of the accounting information developed within a business is available to management. However, much of the company's financial accounting information also is used by decision makers outside of the organization. These outsiders may include

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investors, financial analysts, investment advisors, creditors (lenders), labor unions, government agencies, and the public.

Supplying general-purpose financial information about a business to people outside the organization is termed ***financial reporting***. In the United States and most other industrialized countries, large "publicly-owned" business organizations are required by law to make much of their accounting information public, that is, available to anyone. These countries also have enacted laws to ensure that the public information provided by these organizations is reasonably complete and reliable. Small businesses are not required to provide general-purpose financial information to persons outside the organization. In fact, many small businesses do not make such information available. However, banks and other creditors often insist upon receiving this information as a condition for making loans to businesses.

The principal means of reporting general-purpose financial information to the persons outside a business organization is a set of accounting reports called ***financial statements***. The persons receiving these reports are termed the users of the financial statements.

A set of financial statements consists of four related accounting reports that summarize in a few pages the financial resources, obligations, profitability, and cash transactions of a business. A complete set of financial statements includes:

1) A ***balance sheet***, showing at a particular point of time (a specific date) the financial position of the company by indicating the resources that it owns, the debts that it owes, and the amount of the owners' equity (investment) in the business.

A balance sheet is also called a statement of financial position. It discloses the assets, liabilities, owners' equity, and related information of the economic entity as of a specific date. The statement reports the entity's resource structure (i.e., major classes and amounts of assets) and its financial structure (i.e., major classes and amounts of liabilities and equity). Its name evolved because the balance sheet is a detailed summary of the basic accounting equation (which must always remain in balance): Asset = Liabilities + Owners' Equity.

2) An ***income statement***, indicating the profitability of the business over the preceding years (or a particular time period).

The primary focus of the income statement is to report on the success or profitability of the company's operations over a specific period of time. On the income statement, revenues are listed first, followed by expenses. There are normally two ways of preparing the income statement: single-step method and multi-step method.

3) A ***statement of owners' equity***, explaining certain changes in the amount of the owners' equity (investment) in the business (In businesses which are organized as corporations, the statement of owners' equity is replaced by a statement of retained

earnings).

4) A ***statement of cash flow***, summarizing the cash receipts and cash payments of the business over the same time period covered by the income statement.

The statement of cash flow reports (1) the cash effects of a company's operations during a period; (2) its investing transactions; (3) its financing transactions; (4) the net increase or decrease in cash during the period; and (5) the cash amount at the end of the period. Reporting the net increase or decrease in cash is useful because investors, creditors, and others want to know what is happening to a company's most liquid resource. The statement of cash flow, therefore, provides answers to the following simple but important questions: Where did the cash come from during the period? What was the cash used for during the period? What was the change in the cash balance during the period?

In addition, a complete set of financial statements usually includes several pages of notes, containing additional information which accountants believe is useful in the interpretation of the financial statements.

The basic purpose of financial statements is to assist users in evaluating the financial position, profitability, and future prospects of a business. In deciding where to invest their resources, investors and creditors often compare the financial statements of many different companies. For such comparisons to be valid, the financial statements of these different companies must be reasonably comparable—that is, they must present similar information in a similar format. To achieve this goal, financial statements are prepared in conformity with a set of "ground rules" called *Chinese Accounting Standards* (*CAS*).

The information communicated to the external users in financial reporting is based on standards that establish CAS. CAS is the guidelines, procedures, and the practices that a company is required to use in recording and reporting the accounting information in its audited financial statements. CAS defines accepted accounting practice at a particular time and provide a standard by which to report financial results. They are like laws and are rules that must be followed in financial reporting.

The evolution of CAS took place over many years and involved several accounting policy-making bodies, including the Finance Department, Chinese Accounting Standards Board (CASB), Chinese Institute of Certified Public Accountants (CICPA), and China Securities Regulatory Commission (CSRC). An accountant must be able to determine if a particular procedure for handling a transaction is acceptable under CAS. Accountants therefore must know the sources which aid in recording and reporting a particular transaction.

1.1.3 Objectives of Financial Reporting

The objectives of financial reporting are those of general-purpose external reporting by companies. That is, the objectives relate to a variety of external users (as opposed to specific internal users, such as management) who do not have the authority to prescribe the financial information they desire from a particular company and therefore must use the information that the management of the company communicates to them.

There are several objectives of financial reporting. The Financial Accounting Standards Board (FASB) concluded that the objectives of the financial reporting are to provide information that:

- Is useful to those making investment and credit decisions;
- Is helpful in assessing future cash flows; and
- Identifies the economic resources (assets), the claims to those resources (liabilities), and the changes in those resources and claims.

However, the overriding objective of financial reporting is the usefulness of the financial information. Usefulness of financial information states that financial reporting should provide useful information for present and potential investors, creditors, and other external users in making their investment, credit, and similar decisions. The external users are expected to have a reasonable understanding of business and economic activities and be willing to study carefully the information in order to comprehend the financial information.

A lot of factors can affect external users' decision-making processes, such as the company's profitability, liquidity, and solvency. Information of similar significance deserves reporting. Information useful in assessing future cash flow is a perfect example that is highly relevant to decision-making and should be reported in financial accounting.

1.2 Accounting Basis and Accounting Assumptions

1.2.1 Accounting Basis

Generally speaking, there are two types of accounting bases universally adopted by any business: cash basis and accrual basis.

(1) **Cash-basis** accounting is a method of bookkeeping that records financial events based on cash flow and cash position. Revenue is recognized when cash is received and expense is recognized when cash is paid. In cash-basis accounting, revenues and expenses are also called cash receipts and cash payments. Cash-basis accounting does not recognize promises to pay or expectations to receive money or service in the future, such as payables, receivables, and prepaid or accrued expenses. This is simpler for individuals

and organizations that do not have significant amounts of these transactions, or when the time lag between the initiation of a transaction and the cash flow is very short. Two types of cash-basis accounting exist: strict and modified. Strict cash-basis follows the cash flow exactly. Modified cash-basis includes some elements from accrual-basis accounting such as inventory and property capitalization. However, cash-basis accounting is generally not acceptable for entities that must make their financial statements publicly available. This is because most countries require companies to comply with the accrual basis of accounting. Cash-basis accounting is not considered to provide a true and fair view of the financial performance and position of an entity under CAS. Additionally, cash-basis accounting is not viable for cost accounting in manufacturing operations because expenses cannot always be correctly associated with product costs.

(2) **Accrual-basis** accounting (accrual accounting) records financial events based on economic activity rather than financial activity. Under accrual accounting, revenue is recorded when it is earned and realized, regardless of when actual payment is received. Similarly, expenses are "matched" (a process known as matching or expense matching) revenue regardless of when they are actually paid. Accrual accounting is required by CAS, and other financial accounting standards like GAAP, IFRS, etc.

(3) **Comparison.** Using cash-basis accounting, income and expenses are recognized only when cash is received or paid out. Using accrual-basis accounting, receivables and payables are recognized when a sale is agreed to, even though no cash has been received or paid out as yet. Cash-basis accounting defers all credit transactions to a later date. It is more conservative for the seller in that it does not record revenue until cash receipt. In a growing company, cash basis results in a lower income compared to accrual-basis accounting.

Example

A small business such as a fruit stand, which buys its inventory daily for cash at a wholesale market, sells the inventory for cash, and throws away what didn't sell, can get an accurate picture of its profits or losses using cash-basis accounting. A remodeling business that gives customers 90 days to pay and that procures materials on account at a lumber yard, must use the accrual method to gain an accurate picture of its financial condition. Either business will probably get a relatively accurate picture using either method over a long period of time, except for the transactions that have already begun that are not yet closed.

(4) **Other considerations.** Standard accrual-basis financial statements (income statements and balance sheets) do not indicate the cash inflows and outflows of a company. The cash flow statement is created to indicate that information for accrual-basis accounting.

Accrual-basis accounting is more costly to maintain, because it requires the bookkeeper to record many more transactions. However, the advent of accounting software has made the difference between the reporting methods less significant.

Companies that have extended or used credit significantly should use the accrual-basis method of accounting. The China Securities Regulatory Commission requires that all publicly-traded companies follow CAS, thus all publicly-traded companies publish their financial statements using the accrual-basis method.

For tax purposes, cash basis accounting is highly favored because it defers tax burdens until the cash is received and provides for automatic bad debt relief as revenue (and therefore profit) is not recorded until cash is received from the debtor. It is often used by small businesses and organizations that are not required to use the accrual method, both for tax reasons and for its simplicity.

1.2.2 Accounting Assumptions

Certain accounting assumptions and conventions have had an important impact upon the development of CAS. CAS treats the following as the fundamental accounting assumptions:

1.2.2.1 Entity

Most of the economic activities can be directly or indirectly attributable to business enterprises, termed economic entities. These entities vary in size from small, one-owner companies such as hair salons or restaurants, to partnerships such as law or accounting firms, and to large multinational corporations such as the Sinopec. Financial accounting is concerned with the economic activity of each of these entities, regardless of its size, and involves recording and reporting its transactions and events. A transaction involves the transfer of something of value between the entity and another party. In certain instances the financial records of related but separate legal entities may be consolidated (combined) to report more realistically the resources, obligations, and operating results of the overall economic entity.

Because the entity assumption distinguishes each organization from its owners, each separate entity prepares its own financial records and reports. The personal transactions of the owners are kept separate from those of the business enterprises.

A business owned by one person is generally a ***proprietorship***. There is no legal distinction between the business as an economic unit and the owner, but the accounting records of the business activities are kept separate from the personal records and activities of the owner. A business owned by two or more persons associated as partners is a ***partnership***. Each partner generally has unlimited personal liability for the debts of the partnership. A business organized as a separate legal entity under state corporation law

and having ownership divided into transferable shares of stock is a ***corporation***. The holders of the shares enjoy limited liability.

1.2.2.2 Continuity

The continuity assumption is also known as the going-concern assumption. This assumption is that the company will continue to operate in the near future, unless substantial evidence to the contrary exists. Obviously not all companies are successful, and failures do occur. However, the continuity assumption is valid in most cases and is necessary for many of the accounting procedures used. For example, if a company is not regarded as a going concern, the company should not depreciate its fixed assets over their expected useful lives nor should the company record its inventory at its cost, because the receipt of future economic benefits from these items is uncertain.

Nevertheless, the continuity assumption does not imply permanence. It simply indicates that the economic entity will operate long enough to carry out its existing commitments. If a company appears to be on the verge of going bankrupt, it must discard the continuity assumptions. The company then reports its financial statements on a liquidation basis, with all assets and liabilities valued at the amount estimated to be collected or paid when they are sold or liquidated.

1.2.2.3 Period of Time

The profit or loss earned by a company cannot be determined accurately until it ceases to function. At that time the total lifetime profit or loss may be determined by comparing the cash on hand after liquidating the business plus any cash distributions to the owners during the period of operations with the amount invested by the owners during the company's lifetime. Obviously, financial statement users need more current information to evaluate a company's profitability. Companies primarily use a year as the reporting period. In accordance with the period-of-time assumption, a company prepares financial statements at the end of each year and includes them in its annual report. Furthermore, the annual reporting period (called the accounting period or fiscal year) is used for reports issued to government regulators such as the State Administration of Taxation and the China Securities Regulatory Commission (CSRC).

The period-of-time assumption is the basis for the adjusting entry process in accounting because, if companies did not prepare financial statements on a yearly (or shorter time) basis, there would be no reason to determine the time frame affected by particular transactions. Historically most companies adopted the calendar year as the accounting period. However, many companies now choose a fiscal year that more closely approximates their annual business cycle (The yearly period from lowest sales through

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