

IFRS

立信英文版会计专业系列教材

Principles of Accounting

With Key Words in Chinese

根据最新国际财务报告准则编写

会计学原理

Qu, Yoon & Kim

曲晓辉 尹淳哲 金孝珍 / 编著



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She won a best dissertation award from the Korean Accounting Association in June 2008 and a best paper award from the Korean Accounting Information Association in November, 2008.

PREFACE

The goal of the International Accounting Standards Board (IASB) is to have one set of high-quality accounting standards which are uniformly used by business firms all over the world. The dream seems not so far from being fulfilled because about 120 countries have already adopted or converged to international financial reporting standards (IFRS) throughout the world. Thanks to the rapid adoption of or convergence toward the IFRSs, more and more accounting courses are offered across the countries to teach or accommodate the IFRSs. It is timely to have an introductory accounting book in English reflecting the most updated conceptual base and principal guidance of the IFRSs with key terminologies in Chinese.

It's a great challenge for both lecturers and students whose native tongue is not English to teach and learn accounting in English. It's even a greater challenge for non-native speakers to write an accounting book in English. After several semesters of experience of teaching Principles of Accounting in English, especially the consulting experiences of and research on the IFRSs and local accounting standards, the authors have decided to write the *IFRS Principles of Accounting with Key Words in Chinese—an IFRS Edition* primarily to help lecturers and students in teaching and learning IFRS-based introductory accounting course effectively.

The book contains less than what ordinary accounting books provide for. But we believe that slim-size book will be just good enough for first-time students studying accounting in foreign language. In spite of a slim volume, the book contains the key concepts, theories and core international financial reporting standards. We will continuously try to improve the book. Furthermore, we have kept and will keep abreast with the recent changes in international accounting standards and trends by including them in the book. Any comments and suggestions are welcome.

Considering the fact that no book is available for the Chinese students who would like to learn basic concepts and skills of accounting in English with key terminologies in Chinese, this book will contribute to the accounting profession and academics alike in the sense that the book is

the first-attempt of its kind in accounting area. We hope that this book leads to an innovative and global mindset for accounting students and lecturers. We also hope that the students will learn better accounting knowledge and skills using this book.

July 1, 2011

Xiaohui QU, Xiamen University

Soon Suk YOON, Chonnam National University

Hyo Jin KIM, Jeonju University

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INTRODUCTION TO FINANCIAL ACCOUNTING

1.1 SCOPE AND PURPOSE OF FINANCIAL ACCOUNTING

1.2 OTHER BRANCHES OF ACCOUNTING

1.3 ACCOUNTING CAREER OPPORTUNITIES

1.4 TYPES OF BUSINESS ENTITY

1.5 BUSINESS ACTIVITIES

1.6 UNDERLYING CONCEPTS OF FINANCIAL ACCOUNTING

1.7 THE ACCOUNTING EQUATION

01

INTRODUCTION TO FINANCIAL ACCOUNTING



1.1 SCOPE AND PURPOSE OF FINANCIAL ACCOUNTING

What is accounting? Why is accounting so popular? Many people would like to be accountants. They want to acquire the skills needed to understand what the financial situation is, how well the company has performed last year, what are the sources and uses of the cash, and so forth. Accounting is the financial information system that provides these types of information.

Financial accounting is the main branch of accounting. It is considered the language of business. It is concerned with assisting economic entities like business firms in processing business transactions and events into financial statements, showing the operating results for a period of time and the financial position at a specific point in time. The main purpose of financial accounting is to help financial statement users make rational economic decisions. Thus, *financial accounting may be defined as an information-providing process through identifying, recording, classifying, summarizing and reporting business transactions and events in the financial statements with the purpose of showing the operating performance and*

financial position of an entity.

Many people are interested in knowing about the activities, financial status and operating results of a company. These people are users of accounting information or financial information. They are also called stakeholders and make diverse economic decisions with respect to the business. The purpose of financial accounting is to provide useful information for rational decision-makings by diverse stakeholders. The stakeholders use financial information generated by the accounting process. The stakeholders of a business typically include internal users and external users. Internal users of accounting information are those individuals inside a company who plan, organize, and run the business. They can be Chief Executive Officer (CEO), Chief Financial Officer (CFO), and other managers like marketing managers, production supervisors, research and development directors, division managers and others. External users include investors, creditors, tax authority, regulatory agencies, suppliers, customers, employees, and other users. Investors (owners) use accounting information to make decisions to buy, hold and sell ownership shares of a company. Creditors such as bankers and suppliers use accounting information to evaluate the risks of lending money or supplying goods and services.

The stakeholders and their information needs are summarized in Table 1-1.

【Table 1-1】 Accounting Information Users and Their Information Needs

Stakeholders		Information Needs
Internal Users	Managers	To evaluate the financial strengths and weaknesses of the business in the process of planning, organizing and running the business.
External Users	Investors (Owners)	To evaluate the risk inherent in, and return provided by their investment.

continued

Stakeholders		Information Needs
External Users	Creditors	To evaluate a firm's financial capacity to meet its obligations when they become due.
	Tax Authority	To determine tax revenue based on the company's profitability and to know whether the company is complying with the tax laws.
	Regulatory Agencies	To monitor whether the company is operating within prescribed rules. They are interested in the efficient allocation of resources.
	Suppliers	To evaluate whether amounts owing to them will be paid when due.
	Customers	To evaluate the company's continuing ability to honor product warranties and support the product lines.
	Employees	To evaluate the company's financial ability to pay increased wages and benefits.
	Other users	Security exchanges, trade associations, general public and others.

1.2 OTHER BRANCHES OF ACCOUNTING

Other major branches of accounting are cost accounting, managerial accounting, auditing (public accounting), tax accounting, and governmental accounting.

Cost accounting involves the measuring, recording, and reporting the costs of products or services. From the data accumulated, both the total cost and the unit cost of each product is determined. Cost information is also vital for effective performance evaluation of products, employees, divisions and others.

Managerial accounting, also called *management accounting*, is a field of accounting that provides economic and financial information for managers