

高等院校双语教学适用教材·会计

Frank Wood's Business Accounting Basics

Frank Wood David Horner

会计学基础

(英) 弗兰克·伍德 戴维·霍纳 著

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图书在版编目 (CIP) 数据

会计学基础: 英文 / (英) 伍德 (Wood, F.), (英) 霍纳 (Horner, D.) 著; 一大连: 东北财经大学出版社, 2011. 3

(高等院校双语教学适用教材·会计)

书名原文: Business Accounting Basics

ISBN 978 - 7 - 5654 - 0300 - 2

I. 会… II. ①伍…②霍… III. 会计学—双语教学—高等学校—教材—英文 IV. F230

中国版本图书馆 CIP 数据核字 (2011) 第 026844 号

辽宁省版权局著作权合同登记号: 图字 06 - 2010 - 468 号

This Edition of BUSINESS ACCOUNTING BASICS, first edition is published by arrangement with Pearson Education Limited.

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东北财经大学出版社出版
(大连市黑石礁尖山街 217 号 邮政编码 116025)

教学支持: (0411) 84710309

营 销 部: (0411) 84710711

总 编 室: (0411) 84710523

网 址: <http://www.dufep.cn>

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大连美跃彩色印刷有限公司印刷 东北财经大学出版社发行

幅面尺寸: 185mm × 260mm 字数: 571 千字 印张: 20 插页: 1
2011 年 3 月第 1 版 2011 年 3 月第 1 次印刷

责任编辑: 刘东威

封面设计: 冀贵收

ISBN 978 - 7 - 5654 - 0300 - 2

定价: 40.00 元

出版者的话

当前,在教育部的的大力倡导下,财经和管理类专业的双语教学在我国各大高校已经逐步开展起来。一些双语教学开展较早的院校积累了丰富的经验,同时也发现了教学过程中存在的一些问题,尤其对教材提出了更高的要求;一些尚未进入这一领域的院校,也在不断探索适于自身的教学方式和方法以及适用的教材,以期时机成熟时加入双语教学的行列。总之,对各类院校而言,能否找到“适用”的教材都成为双语教学成功与否的关键因素之一。

然而,国外原版教材为国外教学量身定做的一些特点,如普遍篇幅较大、侧重于描述性讲解、辅助材料(如习题、案例、延伸阅读材料等)繁杂,尤其是许多内容针对性太强,与所在国的法律结构和经济、文化背景结合过于紧密等,却显然不适于国内教学采用,并成为制约国内双语教学开展的重要原因。因此,对国外原版教材进行本土化的精简改编,使之变成更加“适用”的双语教材,已然迫在眉睫。

东北财经大学出版社作为国内较早涉足引进版教材的一家专业出版社,秉承自己一贯服务于财经教学的宗旨,总结自身多年的出版经验,同麦格劳—希尔教育出版公司、培生教育出版集团和圣智出版集团等国外著名出版公司通力合作,在国内再次领先推出了会计、工商管理、经济学等专业的“高等院校双语教学适用教材”。这套丛书的出版经过了长时间的酝酿和筛选,编选人员本着“品质优先、首推名作”的选题原则,既考虑了目前我国财经教育的现状,也考虑了我国财经高等教育所具有的学科特点和需求指向,在教材的遴选、改编和出版上突出了以下一些特点:

- 优选权威的最新版本。入选改编的教材是在国际上多次再版的经典之作的最新版本,其中有些教材的以前版本已在国内部分高校中进行了试用,获得了一致的好评。
- 改编后的教材在保持英文原版教材特色的基础上,力求内容精要,逻辑严密,适合中国的双语教学。选择的改编人员既熟悉原版教材内容,又具有本书或本门课程双语教学的经验。
- 改编后的教材配有丰富的辅助教学支持资源,教师可在网上免费获取。
- 改编后的教材篇幅合理,符合国内教学的课时要求,价格相对较低。

本套教材是在双语教学教材出版方面的一次新的尝试。我们在选书、改编及出版的过程中得到了国内许多高校的专家、教师的支持和指导,在此深表谢意,也期待广大读者提出宝贵的意见和建议。

尽管我们在改编的过程中已加以注意,但由于各教材的作者所处的政治、经济和文化背景不同,书中的内容仍可能有不妥之处,望读者在阅读中注意比较和甄别。

Preface

Notes for teacher and lecturers

This textbook has been written to provide a concise but comprehensive introduction to financial accounting.

It is suitable for beginners to this subject area and provides an introduction to the major topics covered within an introductory bookkeeping or financial accounting course. The textbook would be ideal for those studying for A and AS level, IGCSE, Scottish Higher Qualifications, Association of Accounting Technicians, university undergraduate degree courses and professional accountancy qualifications.

The textbook is based on the International Financial Reporting Standard (IFRS) and the International Accounting Standard (IAS) framework, meaning it can be used by students across the world rather than any one country in particular.

Each chapter begins with learning objectives which outline what skills and techniques will be acquired by completion of the chapter. The chapter will explore each topic in sufficient detail with explanation of each topic accompanied by fully worked-out examples accompanied by explanations and reference to the relevant international accounting standards throughout.

Frequent learning checks appear throughout each chapter in the form of review questions. These are included in each chapter and follow a scale of increasing challenge. This provides accessibility for all students whilst providing the relevant challenge for the student who is keen to practice further as the chapter progresses. Answers for each of the review questions appear at the end of the textbook.

The textbook is written on the assumption that the user of the book has limited or no knowledge of accounting. Although each chapter is largely self-contained, the chapters are arranged in a sequential order. This means that review questions in later chapters will require the completion of the subject matter in the earlier chapters. Where review questions require prior knowledge, this is highlighted.

Although the textbook is written to comply with international standards so as to maximise its usefulness for students of accounting across the globe, the chapter on Value Added Tax is based on the UK rate as at May 2010 of 17.5%.

An Instructor's Manual, which contains further guidance on the how to use the textbook, how to approach particular topics, as well as additional review questions for each chapter, is available from www.pearsoned.co.uk/wood.

Notes for students

This textbook is designed to provide a full and comprehensive guide as you begin your study of bookkeeping and financial accounting. It is meant to serve as an introduction to financial accounting, which means that you are not expected to have read any other textbooks in advance of using this particular one.

When using this textbook, we would recommend that you always stick to the following guidelines:

- Always read the learning objectives as you begin to study a new chapter. These objectives give you clear targets for each chapter, which you can check on completion.
- Ensure that you attempt all the review questions when you have completed the relevant section of each chapter. The questions are designed to be completed as you finish a relevant section so you don't have to wait until the end of the chapter.
- Answers to the review questions appear at the end of the textbook. However, we strongly recommend that you only use these answers to review your own progress after you have completed all the questions. Your progression in terms of learning will be severely restricted if you constantly check the answers before you have firmly grasped a topic. As a minimum, you should complete the entire relevant section before you check your own answers.
- If you are unsure on how to complete a review question, then revisit the relevant section in the chapter. The fully worked-out examples and explanation should provide guidance on how to reach the correct solution.

Although financial accounting can seem very complex when undertaking study of the subject for the first time you should see clear improvement as you progress through each chapter. Regular practice through the review questions will help to consolidate your knowledge and understanding of the subject area.

Finally, we wish you luck with your studies. Financial accounting is not the easiest subject to get to grips with, but with this textbook, a calculator and some dedication on your part, we are sure that you will be successful.

Acknowledgements

I would like to dedicate this book to my parents, Mollie and Harold Horner. However, there are also a number of people I would like to thank for support in various ways:

Matthew Smith deserves great thanks – for his positive support and encouragement, particularly in the early stages of this book. I owe him.

I would also like to thank Sally Nower, John Bellwood and Ian Yates for their suggestions they made in the writing of this book – more often than not, they were spot on.

However, great credit must go to the students of Colchester Sixth Form College who, without fail, have made the teaching of Accounting never a bore, and surprisingly fun.

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CHAPTER 1

Introduction

Learning objectives

By the end of this chapter you should be able to:

- Understand the different sectors in the economy
- Understand the main forms of business organisation within the private sector
- Understand how the accounting equation can be used and what it represents.

Introduction

The purpose of this book is to introduce you to the basics of business accounting. This book will cover the basics of the system of financial accounting – from the basics of double-entry bookkeeping to the construction of the financial statements for a simple small business. Although much of this book is aimed at the financial accounts of the sole trader, we will also have a look at the financial accounting practices employed by the limited company.

This opening chapter aims to prepare you for what lies ahead. We will consider the various types of business organisation that you come across in your studies and what their major aims are as businesses. Accounting is often seen as a jargon-heavy subject and in this chapter we will also introduce you to some of the terms and concepts that you will be coming across throughout this textbook. This is potentially a confusing area – not helped by changes in some of the terminology over recent years. This textbook uses the most up-to-date terminology possible but at the same time will keep you informed of older terminology.

Sectors in the economy

It is common to classify economic activity into two sectors: the public sector and the private sector.

The public sector

The public sector is owned and controlled by the government. This covers all levels of government – from local to central government – and includes all the organisations

which are funded by the taxpayer. The public sector is not as large as, say, thirty years ago, due to successive governments pursuing a policy of privatisation (transferring organisations from the public to the private sector), but it still accounts for a significant proportion of the business activity in the UK. Examples of public sector activity in the UK include the National Health Service and the provision of libraries.

The private sector

The private sector consists of businesses owned and controlled by private individuals acting either on their own or in groups. Although private sector organisations have to comply with laws and regulations set out by the government, these businesses are free to pursue their own ends. It is business organisations within the private sector that this textbook will be exploring.

Types of business organisation

There are three main types of business organisation within the private sector.

Sole traders

A sole trader is a one-person business (the business is owned by one person but others can be employed to work within the business). The sole trader is an **unincorporated business organisation**. This means that the legal status of the business is no different to that of the owner. If the business cannot pay its debts then it would be up to the owner to clear the debts even if this meant selling personal (non-business) assets to clear the business debt. Sole traders are generally small organisations but are very common – mainly due to the ease of setting up as a sole trader.

Partnerships

Partnerships are also unincorporated businesses. Historically, a partnership was owned by between two and twenty partners, although the limit on the maximum number of partners was relaxed in 2002. A greater number of owners potentially allows a greater contribution of capital into the business thus increasing the chances of success and minimising risk of failure. However, partners may still have to sell their own possessions to clear the debts of the partnership in certain circumstances.

A limited partnership was a variant on the partnership. This form of organisation allowed some (but not all) partners to enjoy **limited liability**, which meant that they avoided the risk of selling personal possessions.

The Limited Liability Partnerships Act of 2000 created a new type of partnership. The *Limited Liability Partnership (LLP)* is closer in many respects to a limited company in that all members of the LLP (partners) enjoy limited liability. However, the profits are treated as income for the partners rather than that of the organisation which is similar to how other unincorporated organisations (sole traders and ordinary partnerships) are treated.

Limited companies

A company has undergone the process of incorporation. This means a company exists separately from those who own the company. This means that the company will carry on independently from the owners. The owners of limited companies are known as shareholders.

There are two types of limited company: public limited companies and private limited companies. They are run by directors elected by the shareholders. It is appropriate to talk of a 'separation of ownership from control' – it is the shareholders who own the company, but it is the directors and managers who actually run the company. This can potentially cause a conflict of interest as the two groups may have differing objectives. This conflict highlights the importance of having clearly presented and understandable financial statements for user groups to examine and assess.

As stated above, this textbook is primarily concerned with the accounts of sole traders, but limited companies will be briefly explored in Chapter 15.

You should now attempt review questions 1.1 to 1.4.

Business objectives

The objectives of the business refer to the long-term aims of the business. It is commonly assumed that all businesses in the private sector have profit maximisation as their prime objective. This means that business activity will be focused on increasing the profits of the business. The objective of profit maximisation has a certain logic to it – after all, businesses are often set up to generate a return for the owner of the business. In the case of limited companies, the objective of profit maximisation is more formally built into the activities of the business. A limited company is owned by shareholders who often buy shares in a company purely to generate as high a return as possible. Therefore the directors of the company will ensure that the activities of the business are focused on maximising profits.

It is argued that businesses in reality do not always focus on profit maximisation as their prime objective. Sole traders and partnerships may have other objectives such as any of the following:

- Survival
- Personal objectives
- Market share growth.

Objectives can change over time. A business trading in a period of reduced economic activity (especially a recession) may focus on survival rather than profit maximisation. This switch in objectives may mean that decisions are taken which would not normally be considered (e.g. selling assets at a loss simply to raise cash).

Fundamentals of financial accounting

As mentioned earlier, accounting is often seen as a jargon-heavy subject. First-time students of accounting are often discouraged by the number of new terms that have to be committed to memory. At the end of each chapter there is a list of key terms

with brief definitions or explanations. In this chapter we will be introducing you to some of the terms which are seen as crucial and underpinning much of what follows. There are three terms which underpin much of the system of financial accounting: assets, liabilities and capital (or equity).

Term	Description
Assets	Assets are the resources which are used by the business as part of the activities of the business (e.g. property, equipment and cash).
Liabilities	Liabilities represent the debts of the business – i.e. what is owed by the business to others. These may be short-term debts which are to be repaid soon or long-term debts which may be outstanding and owing for many years (e.g. a mortgage).
Capital (or equity)	Capital refers to the resources supplied to the business by the owner(s) of the business. This capital could be in the form of money or as other assets.

You should now attempt review questions 1.5 to 1.8.

The accounting equation

In Chapter 2 you will be introduced to the system of double-entry bookkeeping. One of the principles that underlie much of the financial accounting within this book is the principle of **duality**. This relates to the idea that accounting transactions can be considered from two different perspectives.

The accounting equation encapsulates this duality and is as follows:

$$\text{Assets} = \text{Capital} + \text{Liabilities}$$

What this equation represents is the two sides of the business – the physical side of the business (i.e. the assets) and the financial side of the business (i.e. the capital and the liabilities).

If you think about it the equation must always be true; if there is an increase in the assets of the business then these assets must have been financed through either more resources from the owner (i.e. more capital) or more resources that have been borrowed (i.e. more liabilities). (In Chapter 3 we consider how capital can be increased by the generation of profits earned by the business.)

If the equation always holds then we can ascertain the value of the assets of the business (or any other component of the equation) if we know the value of the capital and liabilities (or any other two components).

The accounting equation underpins the statement of financial position of the business (see Chapter 3). It also indirectly influences the rules of double-entry bookkeeping (see Chapter 2).

You should now attempt review questions 1.9 to 1.12.