国家级双语示范课程《中级财务会计（全英语教学）》核心教材

国家级人才培养模式创新实验区“全英语教学实验区”核心成果

会计英语

Accounting English

马建威／编著

Alan C. Roline／语校

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前　言

随着《企业会计准则》与国际会计准则持续性趋同，随着注册会计师“引进来”、“走出去”战略的深入实施，会计不仅在制度和理论上，更在实务中，与国际会计实现了实质性趋同与相通。这对会计人提出了更高的要求，“专业+英语”的复合模式，将是会计执业人员必走的执业“蓄电”之路。单从注册会计师执业资格考试科目设置的演进，就足见“专业+英语”对执业的重要性。注册会计师执业资格全国统一考试分为专业阶段和综合阶段，通过专业阶段的全部考试科目后，进入参加综合阶段的考试。综合阶段考试设职业能力综合测试一个科目，分成试卷一和试卷二。综合阶段主要测试的内容包括测试考生在国际环境下运用英语进行业务处理的能力，自2010年度起在综合阶段考试百分制内设置英文题。因此，一本好的专业英语教材将无疑会帮助会计人更好地掌握“专业+英语”的相关知识。

与其他同类书相比，本书具有如下特点和创新：

① 本书是马建威副教授主持的2008年度国家级双语示范课《中级财务会计（全英语教学）》“Intermediate Financial Accounting（All-English Instruction）”核心教材；是2007年国家级人才培养模式创新实验区“全英语教学实验区”核心成果之一；是2007年杨有红教授主持的国家级精品课程《中级财务会计》的配套教材。

② 本书源于实践，针对性强。本书是我们15年来会计专业英语教学和全英语会计学专业教学中的积累，针对性强，可以满足会计学、财务管理学和审计学等专业的专业英语教学的需要。

③ 本书体系完整、结构合理，深度和广度相结合。全书共分为14章，系统阐述了财务会计专业知识，理论与实务紧密结合。

④ 本书章节设计严谨、合理。每章以Unit Feature（本章特写）作为切入话题；继而列出本章的Unit Outline（本章概览），介绍本章的主要内容和学习目标；在正文之后，Unit Summary（本章小结）对本章内容作一个小结；然后列出Glossary（词汇表）并作了诠释；在课后练习与巩固环节，我们设计了Exercises（习题），包括：True/False（判断）、Multiple Choice（选择）、Questions（简答）、Problem Solving（实务）等题型；每章最后设置了Insight Broadening（视野拓展），以期在每章议题上引导读者有所外延及拓展。

⑤ 本书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，方便读者掌握各章重要词汇和专业术语表达，方便查阅。每章之后的习题形式多样，将有助于读者巩固已学内容。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，有助于读者迅速提高专业英语语感和阅读能力。

⑥ 本书适合对象广泛。本书不仅适合高等学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材和双语教学教材，也适合其他会计从业人员、教学人员、管理人员、审计和财税官员等用作专业英语辅助资料。通过提供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，希望本书成为专业人员的“案头必备”。

本书由马建威副教授编著，由 Alan C. Roine 教授（美国明尼苏达大学德鲁斯校区会计系主任）语校。此外，张静楠、马竞楠、胡洋洋、蒋兆华、梁村、马娟、沙莎、武侠、唐思思等在资料整理、文字录入、格式编排、校对等阶段也参与其中，做出了贡献；本书在编著的不同阶段，得到了财政部财政科学研究所、北京工商大学、兰州理工大学等多位专家教授的建设性意见和建议，在此一并致谢。

一本好书，是作者、出版者和读者的共同作用的产物。本书的出版得到了经济科学出版社的大力支持，尤其是齐伟娜主任和易莉编辑在与作者的沟通中，提出了诸多宝贵的建议，特别感谢。

本书的出版是一个新的起点，期盼读者的反馈信息。

马建威

2014 年 3 月 26 日于兰州

Contents

Unit 1 Accounting: the Language of Business ······ 1

Section 1: The Purpose of Accounting and Financial Reporting ······ 2
Section 2: Accounting Bases and Accounting Assumptions ······ 6
Section 3: Qualitative Characteristics of Accounting Information ······ 14

Unit 2 Cash ······ 28

Section 1: Cash and Internal Control ······ 29
Section 2: Internal Controls Over Cash ······ 32

Unit 3 Receivables ······ 39

Section 1: Receivables ······ 40
Section 2: Notes Receivable ······ 43

Unit 4 Inventories ······ 52

Section 1: Inventory in Brief ······ 53
Section 2: Determining Actual Quantities in the Inventory ······ 55
Section 3: Costs Included in Inventory ······ 56
Section 4: Inventory Accounting Systems ······ 58
Section 5: Methods of Pricing Inventory at Cost ······ 60

Unit 5 Investments ······ 68

Section 1: Investments: the Classification and Valuation ······ 69
Section 2: International Accounting Differences ······ 73
Section 3: Financial Instruments ······ 76
Section 4: Additional Issues for Investments ······ 77

Unit 6 Property, Plant and Equipment ······ 85

Section 1: Acquisition and Valuation of Plant and Equipment ······ 86
Section 2: Depreciation of Property, Plant and Equipment ······ 88
Section 3: Disposal of Plant and Equipment ······ 92

Unit 7 Intangible Assets ······ 100

Section 1: Valuation of Intangibles ······ 100
Section 2: Amortization or Impairment of Intangible Assets ······ 101
Section 3: Research and Development Costs ······ 102
Section 4: Identifiable Intangible Assets ······ 103
Section 5: Goodwill ······ 105

Unit 8 Liabilities ······ 113

Section 1: Current Liabilities ······ 114
Section 2: Estimated Liabilities, Loss Contingencies, and Commitments ······ 120
Section 3: Long-Term Liabilities ······ 122

Unit 9 Stockholder's Equity ······ 143

Section 1: The Structure of the Owner's Equity ······ 144
Section 2: Accounting for Stock Transactions ······ 144
Section 3: Capital Reserve ······ 147

Unit 10 Income, Revenue, Expense and Profit ······ 157

Section 1: Definition of Income, Revenue and Gains ······ 157
Section 2: Revenue ······ 158
Section 3: Expenses ······ 161
Section 4: Profit and Profit Distribution ······ 165

Unit 11 Accounting Changes and Errors ······ 173

Section 1: Types of Accounting Changes and Methods of Disclosure ······ 174
Section 2: Accounting for a Change in Accounting Principle ······ 174
Section 3: Accounting for a Change in an Estimate and a Reporting Entity ······ 177
Section 4: Accounting for the Correction of an Error ······ 178

Unit 12 Financial Statements ······ 190

Section 1: Environment of Financial Reporting ······ 191
Section 2: Conceptual Framework of Financial Reporting ······ 192
Section 3: Financial Statements ······ 195
Section 4: Notes and Other Information ······ 203
Section 5: Reformation of Financial Statements Presentation ······ 205

Unit 13 Internal Control ······ 214

Section 1: Concept of Internal Control ······ 214

Section 2: Objectives and Elements of Internal Control ······ 216
Section 3: Relationship of Objectives and Components ······ 218
Section 4: Roles and Responsibilities in Internal Control ······ 221
Section 5: Fraud and Control Precision ······ 222

Unit 14 Financial Statement Analysis ······ 229

Section 1: Basics of Financial Statement Analysis ······ 230
Section 2: Methods of Financial Statement Analysis ······ 230
Section 3: Sustainability and Irregular Items ······ 246
Section 4: Limitations of Financial Statement Analysis ······ 249

Appendix A *Accounting Standard for Business Enterprises: Basic Standard* ······ 257

Appendix B *Chart of Accounts (Chinese-English)* ······ 263

References ······ 277

Unit 1

Accounting: the Language of Business

Unit Feature

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 almost a daily basis. Accounting is the art of interpreting, measuring, and communicating the results of economic activities. When 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. 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 returns. Often an individual must provide personal accounting information in order to qualify for a loan, to obtain a credit card, or to obtain 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.

Unit Outline

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, the accounting basis and assumptions, accounting principles and measurement bases, and 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 basis and assumptions

◆ Describe the accounting principles and measurement bases and qualitative characteristics of financial accounting information

Section 1: The Purpose of Accounting and Financial Reporting

1. General Concepts in 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 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 the 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, the labor. The manner in which we allocate and use economic resources shapes the world's economies. Resource allocation decisions determines 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 the ***tax accounting*** often are used in describing the types of accounting information most widely used in the business community. Because our primary focus is the financial accounting, we will explain the purpose of financial accounting next.

Financial Accounting refers to information describing the financial resources, obligations, and the 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 operations 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 how the financial resources necessary for growth will be allocated. However, many other decisions makers also make use of financial accounting information. A company's manager and employee 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 warehouse, 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 often is 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 of money or other items of value.

The objective of most businesses 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 operate with an objective other than to maximize the profits, such as medical research and conservation of natural resources.

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 have heard that financial accounting is the "language of business." This is because financial accounting is the means by which business information is communicated to the 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 Sinopec stock. 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 in illustrated in Figure 1. 1.

Stakeholders use financial accounting information reports as a primary source of information on which to 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 forecasts to assess the future demand for the store's products. During periods of economic downturn, the demand for the consumer appliance 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

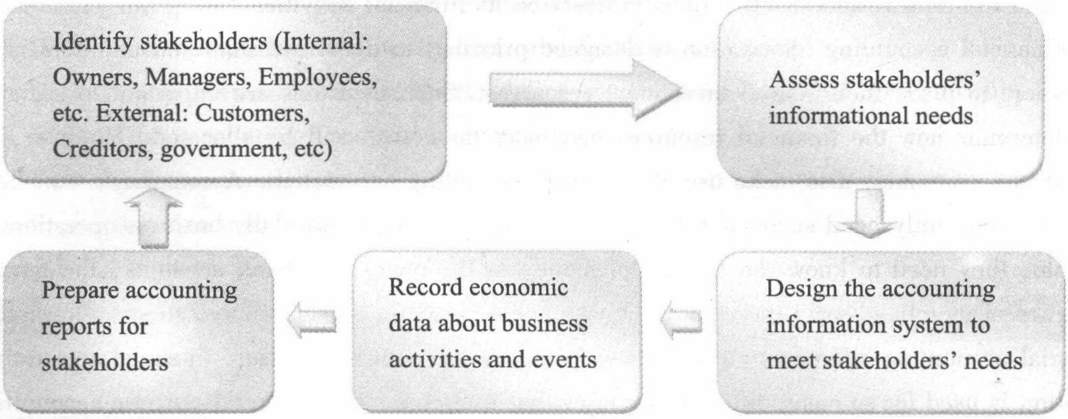

Figure 1. 1 Financial Accounting Information and Stakeholders

guarantee the loans of the business. Finally, bankers might consult industry publications that rank similar business 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 include 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 everyone. These countries also have enacted laws to ensure that the public information provided by these organizations is reasonably complete and reliable. Small, privately-owned 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 the business.

The principle means of reporting general-purpose financial information to 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:

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 on a specific date. The statement reports an 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.

An income statement indicates the profitability of the business over the preceding year (or other time period). The primary focus of the income statement is to report 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.

A statement of owners' equity, explains 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.)

A statement of cash flows summarizes the cash receipts and cash payments of the business over the same time period covered by the income statement.

In addition, a complete set of financial statements 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 comparison 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 established in the CAS. CAS provides 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 provides a standard by which to report financial results. They are the 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 to aid in recording and reporting a particular transaction.

2. 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 U. S. 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
- 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 means 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 provided in order to comprehend the financial information.

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

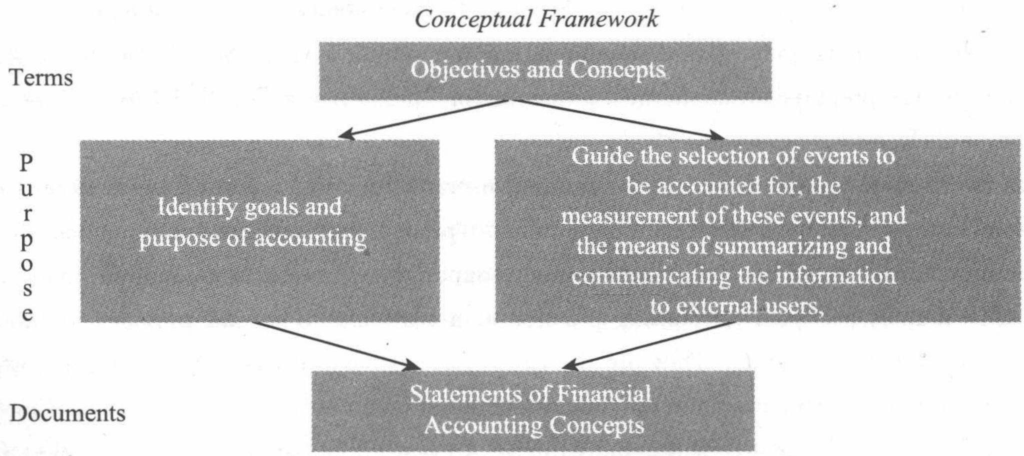

Figure 1. 2 the Relationship of FASB Conceptual Framework and Standard-Setting Process

Section 2: Accounting Bases and Accounting Assumptions

1. Accounting Bases

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

(1) *Cash-basis*

Cash-basis Accounting is a method of bookkeeping that records financial events based on cash flows and cash position. Revenue is recognized when cash is received and an 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 services 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 the 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*

Accrual-basis 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) against revenue regardless of when they are actually paid. Accrual accounting is required by CAS, and other financial accounting standards like U. S. GAAP, IFRS, etc.

(3) *Comparison of the Two Systems*

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.

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 the 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 or 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 was created to indicate that information for those using 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, and thus all publicly traded companies publish their financial statements using 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.

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) ***Accounting 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 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 the resources, obligations, and operating results of the overall economic entity in a more realistic manner.

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.

(2) ***Going-Concern***

The going-concern concept is also known as the continuity 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, the continuity assumption does not apply. 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.

(3) *Accounting Period*

The total profit or loss earned by a company cannot be determined accurately until the day 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 one 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. Many companies may use the calendar year, but others may select another annual reporting period (called the accounting period or fiscal year). A company's fiscal year is often 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 highest sales and back to lowest sales is known as a business cycle.)

(4) *Monetary Unit*

Since the time when gold and other precious metals were accepted in exchange for goods and services, thereby replacing the barter system, there has been a unit of exchange. This unit of exchange is different for almost every nation, but accountants generally have adopted the national currency of the reporting company as the unit of measure in preparing financial statements.

In using the national currency as the unit of measure, accountants traditionally have assumed that it is a stable unit.

In today's world the assumption that the dollar or any other nation's currency is a stable measure over time is not necessarily valid.

There are two primary reasons for changes in reported values over time:

- The real value of item in question may change in relation to the real value of all other goods and services in the economy
- The purchasing power of the measuring unit (in this case the dollar) may change

3. Financial Accounting Principles and Measurement Bases

(1) *Principles*

Base on these fundamental assumptions of accounting, the accounting profession has developed principles that indicate how economic events should be recorded and reported.