

高等学校会计学类英文版教材


THOMSON

# I ntermediate Accounting 9e

Loren A. Nikolai John D. Bazley

# 中级会计学

赖红宁(暨南大学) 改编  
王立彦(北京大学) 审校

 高等教育出版社

高等学校会计学类英文版教材


# I ntermediate Accounting 9<sup>e</sup>

Loren A. Nikolai John D. Bazley

# 中级会计学

赖红宁(暨南大学) 改编

王立彦(北京大学) 审校

 高等教育出版社

图字:01-2004-6504号

Loren A. Nikolai. John D. Bazley

**Intermediate Accounting, Ninth Edition**

ISBN:0-324-18328-3

Copyright©2003 by South-Western, a division of Thomson Learning

Original language published by Thomson Learning(a division of Thomson Learning Asia Pte Ltd). All Rights reserved. 本书原版由汤姆森学习出版集团出版。版权所有,盗印必究。

Higher Education Press is authorized by Thomson Learning to publish and distribute exclusively this Adaptation edition. This edition is authorized for sale in the People's Republic of China only (excluding Hong Kong, Macao SAR and Taiwan). Unauthorized export of this edition is a violation of the Copyright Act. No part of this publication may be reproduced or distributed by any means, or stored in a database or retrieval system, without the prior written permission of the publisher.

本书改编版由汤姆森学习出版集团授权高等教育出版社独家出版发行。此版本仅限在中华人民共和国境内(不包括中国香港、澳门特别行政区及中国台湾)销售。未经授权的本书出口将被视为违反版权法的行为。未经出版者预先书面许可,不得以任何方式复制或发行本书的任何部分。

981-265-079-2

**图书在版编目(CIP)数据**

中级会计学 = Intermediate Accounting: 英文改编 / (美) 尼古拉 (Nikolai, L. A.), (美) 巴泽利 (Bazley, J. D.)

—北京: 高等教育出版社, 2005. 1

ISBN 7-04-016227-X

I. 中... II. ①尼... ②巴... III. 会计学-高等学校-教材-英文 IV. F230

中国版本图书馆 CIP 数据核字 (2004) 第 129548 号

策划编辑 于明 责任编辑 于明 封面设计 刘晓翔 责任印制 韩刚

出版发行 高等教育出版社  
社 址 北京市西城区德外大街 4 号  
邮政编码 100011  
总 机 010-58581000

购书热线 010-58581118  
免费咨询 800-810-0598  
网 址 <http://www.hep.edu.cn>  
<http://www.hep.com.cn>  
网上订购 <http://www.landaco.com>  
<http://www.landaco.com.cn>

经 销 北京蓝色畅想图书发行有限公司  
印 刷 高等教育出版社印刷厂

开 本 850×1168 1/16  
印 张 41.75  
字 数 1 000 000

版 次 2005 年 1 月第 1 版  
印 次 2005 年 1 月第 1 次印刷  
定 价 45.00 元

本书如有缺页、倒页、脱页等质量问题,请到所购图书销售部门联系调换

版权所有 侵权必究

物料号: 16227-00

## 出版前言

自教育部在《关于加强高等学校本科教学工作 提高教学质量的若干意见》【教高(2001)4号】中提出双语教学的要求后,各地高校相继开设了一系列双语教学课程。这对提高学生的学科和外文水平,开阔国际视野,培养创新型人才起到了重要的作用;一大批教师也逐渐熟悉了外文授课,自身的教学水平和能力得到较大提高,具备国际学术思维的中青年教师脱颖而出。同时,经过近几年的双语教学实践,国外原版教材量大、逻辑不够清晰、疏离中国现实等问题也影响了双语教学的效果。因此,对外版教材进行本土化的精简改编,使之更加适合我国的双语教学已提上教材建设日程。

为了满足高等学校经济管理类双语课程本土化教学的需要,在教育部高等教育司的指导和帮助下,高等教育出版社同Thomson Learning等国外著名出版公司通力合作,在国内首次推出了金融、会计、经济学等专业的英文原版改编教材。本套教材的遴选、改编和出版严格遵循了以下几个原则:

1. 择优选取权威的新版本。在各专业选书论证会上,我们要求入选改编的教材不仅是在国际上多次再版的经典之作的最新版本,而且是近年来已在国内被试用的优秀教材。

2. 改编后的教材力求内容规范简明,逻辑更加清晰,语言原汁原味,适合中国的双语教学。选择的改编人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;在改编过程中,高等教育出版社组织了知名专家学者召开了数次改编和审稿会议,改编稿征求了众多教师的意见。

3. 改编后的教材配有较丰富的辅助教学支持资源,教师可在网上免费获取。同时,改编后的教材厚度适中,定价标准较低。

由于原作者所处国家的政治、经济和文化背景等与我国不同,对书中所持观点,敬请广大读者在阅读过程中注意加以分析和鉴别。

此次英文改编教材的出版,得到了很多专家学者的支持和帮助,在此深表谢意!我们期待这批英文改编教材的出版能对我国经济管理类专业的教学能有所帮助,欢迎广大读者给我们提出宝贵的意见和建议。

高等教育出版社  
2005年1月

# 关于本书

## 内容简介

本书以理论分析见长，共分五篇。第一篇系统地阐述了会计环境、财务会计的概念框架、会计概念（会计基本要素）以及会计报表的构成要素。其他四篇从四大报表的基本构成要素入手进行详细讨论，在论述具体的每个项目的会计处理时，每章前面都要对第一篇中所讨论的基本概念（报表项目）的定义和特点进行进一步的讨论，并对相关会计处理的前因后果进行深入的理论分析，从而在加深读者对相关基础概念理解的同时，掌握有关实际问题的会计处理手段。作者还专门提到会计环境中的道德问题，以及在多变的市场环境中，会计人员应以解决问题为导向，具备创新和批判性的思想。

本书语言流畅，用词简练，知识点全面，相关的例题深入浅出，非常适合作为会计学专业“中级财务会计”课程教材，也可作为MBA以及经济管理专业的研究生了解西方财务会计体系的参考书。

## 作者简介

Loren A. Nikolai, 博士、注册会计师，美国密苏里州立大学哥伦比亚分校会计学教授，曾担任美国会计学院联盟（FSA）主席，美国会计学会（AAA）教育分会主任。尼古拉教授先后执教于威斯康星州立大学、北卡罗来纳州立大学，因教学成绩突出而多次获杰出教学奖。

John D. Bazley, 博士、注册会计师，美国丹佛大学Daniels商学院会计学教授，多次获杰出教学奖。

## 改编及审校者简介

赖红宁，暨南大学管理学院会计系副教授，专业方向：西方财务会计、西方财务管理及国际会计。

王立彦，博士，北京大学光华管理学院教授、博士生导师，北京大学国际会计与财务研究中心主任，学术期刊《经济科学》副主编；《中国会计评论》主编，中国审计学会学术委员会委员。近年来的学术和专业研究重心集中在：会计信息与价值分析、海外上市与双重财务报告、公司治理与内部控制、成本管理控制、企业及管理业绩评价、环境核算与认证的财务效应等。

## 教学支持资源（见本书教学支持说明页）

1. Excel Spreadsheet Template Solutions
2. Instructor's Manual
3. PowerPoint Presentation Slides
4. Solutions Manual
5. Update to Textbook
6. Others

# 导 读

我们的导读先从本书框架图的构建开始，全书的布局如下图所示：

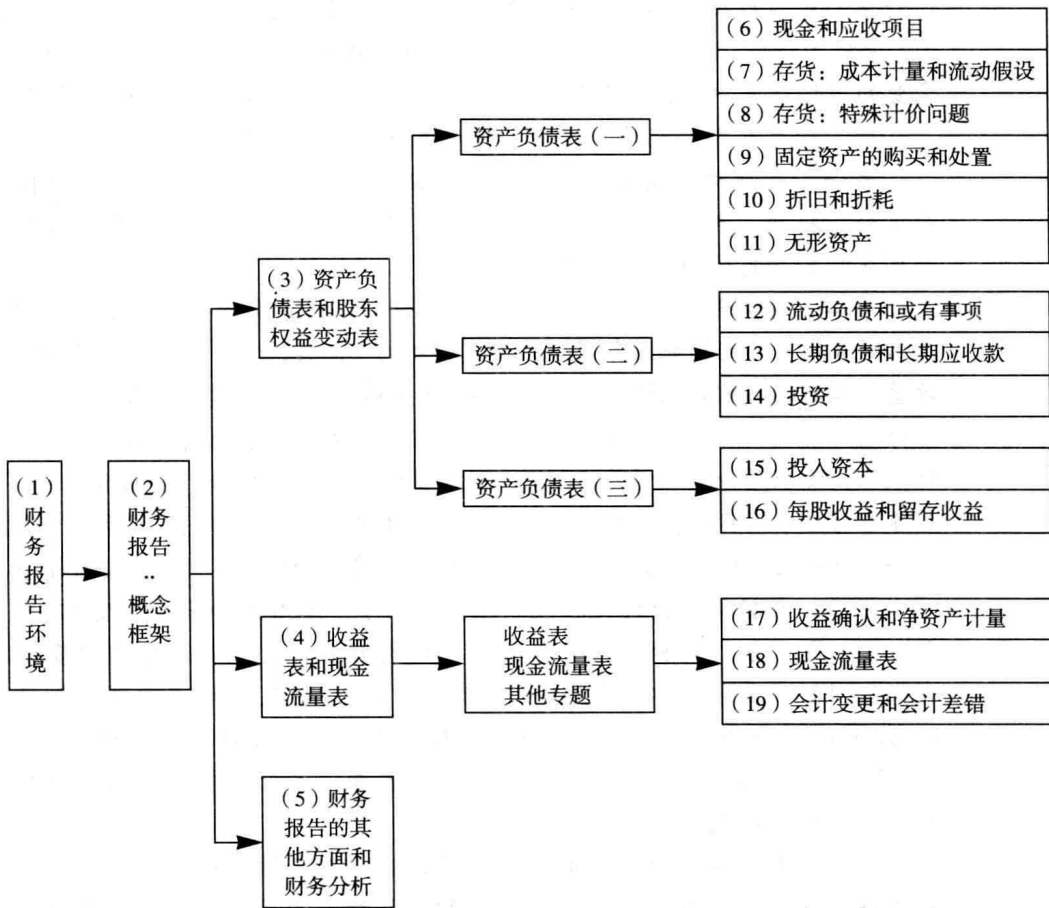


图 本书结构图

全书共分五篇：

第一篇——财务报告：概念、财务报表和相关披露（第1章至第5章）；

第二篇——财务报告：资产计量和收益确定（第6章至第11章）；

第三篇——财务报告：负债和投资计价（第12章至第14章）；

第四篇——财务报告：股东权益（第15章至第16章）；

第五篇——财务报告：特定专题（第17章至第19章）。

读者可以发现一个有趣的现象，即本书每篇篇名前都有“财务报告”四字，这不奇怪，因为中级会计的目的就是让大家掌握通用财务报告的编制理论与方法。如果把财务报告比作一个建筑的话，报表项目就是它的构件。所以本书就是以三大报表<sup>1</sup>项目的确认、计量、记录和报告为主线来展开的。了解这一点，我们再看上面的框架图，对本书的布局就一目了然了。

<sup>1</sup> 三大报表一般公认的是资产负债表、收益表和现金流量表，现在也有第四报表的提法，即综合收益表。至于股东权益变动表和利润分配表可以看成是资产负债表和收益表的补充报表。

尼古拉和巴泽利两位教授合编的这本《中级会计学》(第9版)以理论分析见长。除了在第一篇对会计环境、财务会计的概念框架、会计概念(会计基本要素)、三大报表的构成进行系统的阐述外,后面四篇在论述具体的每个项目的会计处理时,每章前面都要对基本概念(报表项目)的定义和特点进行进一步的讨论,对一些会计处理的前因后果进行深入的理论分析,为了突出这一点,在页边以C(概念)和A(分析)标明。在本书的第1章作者还专门提到会计环境中的道德问题,以及在多变的 market 环境中,会计人员应以解决问题为导向,具备创新和批判性的思想。

为了让读者更好地学习本书,有几点特别提请注意:

第一,在结构的编排上,同国内中级会计存在一些区别,一是将报表编制和结构分析提前(现金流量表的编制除外,在第18章)放在第一编;二是将投资与长期应收款和负债项目放入第三篇。

第二,财务会计处理程序是由确认、计量、记录和报告来组成的,财务报告也是由财务报表的列报和财务报告的披露构成的。而传统会计教材只注重会计的确认和计量,容易忽略披露问题。在本书的第3章至第5章,重点对财务报告的披露内容进行了详细的说明,如会计政策、公允价值、金融工具风险、或有项目、关联方交易、审计报告、管理层分析与讨论、SEC<sup>2</sup>的披露格式、分部报告、中期报告等,并且在以后各章对每个项目的会计处理进行讲述后,都要阐明该项目的列报和披露问题。因为一个完整的经济业务的会计处理,既包括会计确认和计量,又包括会计报告。

第三,与我们的会计处理规范主要来源于一本准则和一本制度<sup>3</sup>不同,美国的GAAP来源十分广泛和复杂,并且书中的所有会计处理都会标出制度来源,所以我们要对组成美国GAAP的主要文献有所了解。美国GAAP最权威的制度来源包括FASB的准则公告(FAS)和解释、APB的意见书、CAP的会计研究公告(ARB)和SEC的对向其注册登记公司的披露格式要求。另外还包括不同层次制度和文献对会计处理的规范要求<sup>4</sup>。

第四,我们要重点关注的是中美两国在一些会计处理上的差异,应该说,这种差异很多,以下指出的是一些重大的差异和美国已有规范而中国还没有相应制度的地方。

- ① 第4章综合收益的概念(FAS130<sup>5</sup>);
- ② 第6章应收账款的抵押、转让和出售(FAS140)的会计处理;
- ③ 第11章计算机软件成本(FAS86)和商誉的会计核算(FAS142);
- ④ 第13章贷款减值和债务重组(FAS114和FAS118)与我国现行规定不一致<sup>6</sup>;

2 导读中出现的缩写在书中均有全称。

3 即17项具体会计准则(含基本准则)和企业会计制度。

4 具体请参见本书(图1-4)GAAP来源层级图。

5 导读中提到的财务会计准则公告全称分别是:FAS13, 租赁会计; FAS86, 出售、出租和营销性计算机软件成本的会计核算; FAS114, 债权人贷款减值会计处理; FAS118, 对FAS114的修订; FAS115, 特定债务和权益证券投资的会计处理; FAS123, 股票报酬的会计处理; FAS128, 每股收益; FAS130, 报告综合收益; FAS133, 衍生工具和套期活动的会计处理; FAS138, FAS149对FAS133的修订; FAS140, 金融资产的转换和交付以及负债消除的会计处理——对FAS125的取代; FAS142, 商誉和其他无形资产; FAS150, 对拥有负债和权益两种特征金融工具的会计处理。

6 这种不一致主要体现在我国在债务重组包括非货币性交易等核算中主要使用历史成本,而美国在这些方面的核算中多使用公允价值计量属性。

⑤ 第14章投资的分类和处理 (FAS115) 与我国存在较大差别;

⑥ 第16章基本和稀释每股收益 (EPS) 的计算 (FAS128<sup>7</sup>)。

本篇导读只是为大家指路, 书中的风景和精华还得靠读者慢慢去品味和掌握。

审校及改编者

2004年11月

<sup>7</sup> 我国已经颁布了“每股收益”具体准则的征求意见稿, 目前正式准则尚未出台。



# PART 1

## Financial Reporting: Concepts, Financial Statements, and Related Disclosures

- |                  |  |
|------------------|--|
| <b>Chapter 1</b> | The Environment of Financial Reporting                                 |
| <b>Chapter 2</b> | Financial Reporting: Its Conceptual Framework                          |
| <b>Chapter 3</b> | The Balance Sheet and the Statement of Changes in Stockholders' Equity |
| <b>Chapter 4</b> | The Income Statement and Statement of Cash Flows                       |
| <b>Chapter 5</b> | Additional Aspects of Financial Reporting and Financial Analysis       |

# CHAPTER

# 1

## The Environment of Financial Reporting

---

### objectives

- 1 Understand capital markets and decision making.
- 2 Know what is included in financial reporting.
- 3 Explain generally accepted accounting principles (GAAP) and the sources of GAAP.
- 4 Identify the types of pronouncements issued by the FASB.
- 5 Understand how the Financial Accounting Standards Board (FASB) operates.
- 6 Describe the relationship between the Securities and Exchange Commission (SEC) and the FASB.

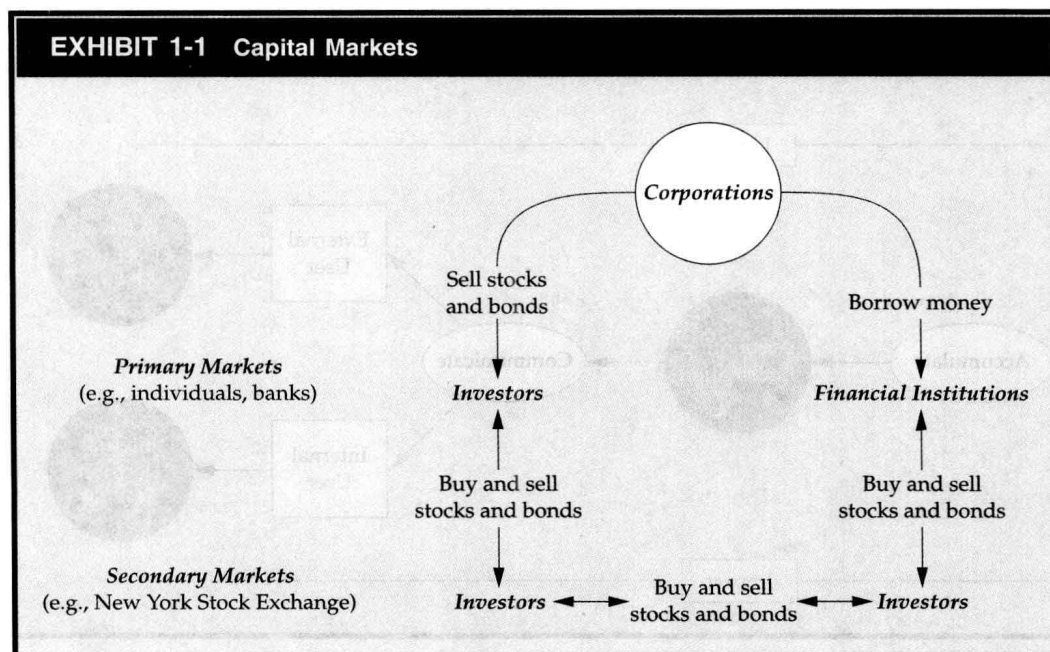
Accounting may be described as the process of identifying, measuring, recording, and communicating economic information to permit informed judgments and decisions by users of information. It is also called the “language of business.” In the United States economy, most published accounting information is about different types of companies (primarily corporations). Companies engage in many transactions and generate large amounts of data. Since people can absorb only limited amounts of information, accounting systems are designed to report that data in a concise, understandable format. In this sense, accounting may be viewed as the link between a company’s economic activities and decision makers.

In this chapter we review the uses of accounting information and who uses it, the development of principles for the accumulation and communication of accounting information, and the ethical frameworks within which these accounting principles are applied.

### ACCOUNTING INFORMATION: USERS, USES, AND GAAP

The U.S. economy is a free-market economy in which the decisions of many buyers and sellers influence the demand for and supply of products and services offered by companies. Individuals acting within this economy have limited resources to consume or to invest, whereas typically companies need large amounts of capital for their operations. Companies may obtain this capital from the issuance of capital stock (equity) and bonds (debt), from other borrowings, or from resources generated by their operations. The exchange of capital by investors for the stocks and bonds of companies occurs in **capital markets**, as we show in Exhibit 1-1. There are organized capital markets, such as the New York Stock Exchange (NYSE), the American Stock Exchange (AMEX), and the Nasdaq Stock Market, Inc. (NASDAQ), in which the capital stock and bonds of many corporations are purchased and sold daily. These corporations are called *publicly held* (or publicly traded) companies. These markets sometimes are referred to as *secondary markets* because the sales and purchases are among the investors themselves. That is, the corporation that initially issued the capital stock or bonds is not involved in the exchange.

There also are more loosely organized capital markets in which fewer exchanges occur. For instance, companies may borrow from lending institutions, or corporations may issue new capital stock or bonds, either through “public offerings” or through “private placements.” Public offerings involve the advertising and sale to many investors (i.e., the general public). Private placements involve the advertising and sale to a few private institutions such as insurance



companies and pension funds, or to employees. These markets sometimes are called *primary markets* because the exchange is directly between a corporation and the investors. Whether investors or lending institutions are involved in primary or secondary markets, they are interested in earning dividends and interest, and in a safe return of their resources. Investors in publicly traded securities participate in the increase (or decrease) in the market price of the capital stock and bonds. These investors are concerned with the efficient allocation of their scarce resources to achieve these objectives. Accounting information is useful in making decisions for this allocation process within these capital markets. It is useful for other purposes as well.

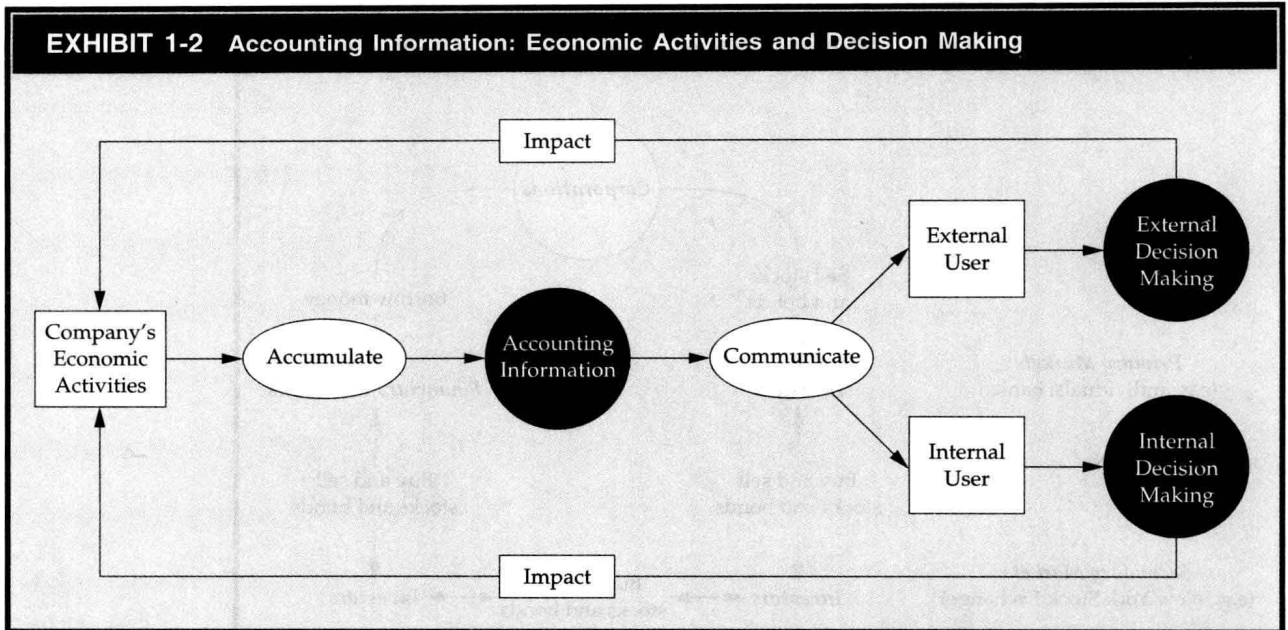
### External and Internal Users

The decision makers or users of accounting information can be divided into two major categories, external users and internal users, as we show in Exhibit 1-2. These two user groups have somewhat dissimilar information needs because of their different relationships to the company providing the economic information. **External users are actual or potential investors (stockholders and bondholders); creditors, such as suppliers and lending institutions; and other users, such as employees, financial analysts, advisers, brokers, underwriters, stock exchanges, taxing and regulatory authorities, labor unions, and the general public.** (Note that bondholders are “creditors” by contract and legal definition, but are considered “investors” as this term is commonly used.) Investors have a direct relationship with the company, and their capital market information needs revolve around three basic decisions:

1. *Buy.* A potential investor decides to purchase a particular security (e.g., a stock or bond) on the basis of communicated accounting information.
2. *Hold.* An actual investor decides to retain a particular security on the basis of communicated accounting information.
3. *Sell.* An actual investor decides to dispose of a particular security on the basis of communicated accounting information.

Creditors, such as suppliers and lending institutions, also have a direct relationship with companies. While creditors do not purchase securities, they make similar decisions that require accounting information. The decisions in this case are to extend credit, to

**1** Understand capital markets and decision making.



maintain the credit relationship, or not to extend credit. Other users employ accounting information in their decision making. For instance, stock exchanges use accounting information for listings, cancellations, and rule-making decisions. Labor unions use accounting information in negotiating wage agreements. Financial analysts use accounting information for making investment and credit recommendations.

Investment and credit decisions should be continuously reevaluated. A timely communication of information to external decision makers is very important. The publication of financial statements (e.g., in “hard copy” or on a company’s web site) is a primary method by which relevant information is communicated. Studies have shown, however, that decision makers also use other reporting sources to satisfy their information needs.<sup>1</sup>

**Internal users are the company managers who are responsible for the planning and control of operations on a day-by-day and a long-term basis.** In contrast to external users, who mainly use financial statement information in their decision processes, internal users may request any type of information that the accounting system is capable of providing to assist them in making decisions on internal operations. For example, internal users may request information relating specifically to the purchase of new equipment or the addition of a new product.

### Financial and Managerial Accounting Information Systems

Two major branches of accounting are used to meet the specialized needs of external and internal users. **Financial accounting is the information accumulation, processing, and communication system designed to satisfy the investment and credit decision-making information needs of external users.** Financial accounting information is communicated (reported) through published financial statements and must follow the pronouncements of several policy-making groups. **Managerial accounting is the information accumulation, processing, and communication system designed to meet the decision-making information needs of internal users.** Managerial accounting information is communicated via internal company reports and is not subject to the policy standards

1. In addition to the use of published financial statements, accounting information may be communicated to external users by other methods, such as reports filed with the Securities and Exchange Commission (discussed later), news releases, and management forecasts. Evidence from capital markets research studies tends to show that security prices fully reflect all *publicly* available information.

applied to externally communicated information. It is restricted by the usefulness of the information provided for a specific decision and the cost of providing that information. Financial and managerial accounting thus have somewhat different objectives, as they provide information with which to make different decisions. Exhibit 1-3 summarizes some of the more important differences.

### EXHIBIT 1-3 Comparison of Financial and Managerial Accounting

	Financial Accounting	Managerial Accounting
1. Source of authority	Generally accepted accounting principles (GAAP)	Internal needs
2. Time frame of reported information	Primarily historical	Present and future
3. Scope	Mainly total company	Individual departments, divisions, and total company
4. Type of information	Primarily quantitative	Qualitative as well as quantitative
5. Statement format	Prescribed by GAAP; oriented toward investment and credit decisions	Determined by company; focused upon specific decisions being made
6. Decision focus	External	Internal

The company's accountants prepare both the financial accounting and the managerial accounting reports, and the information comes from the same information system. The differences lie in the selection and presentation of the communicated information. This book focuses on financial accounting and its usefulness in investors', creditors', and other users' decision making. We generally do not discuss the selection of managerial accounting information. On the other hand, the rules of a game influence how the game is played. The management of a company often is evaluated based on "performance criteria" (e.g., net income, rate of return) that are a function of accounting measures used in financial accounting reports. Thus, the financial accounting system may influence the managerial accounting system, or vice versa.

In other words, the amounts reported or methods used for financial accounting may influence management decisions, or the management of a company (perhaps in its own self-interest) may use the managerial accounting system to influence financial reporting. In this regard, the term *agency theory* describes the relationship between the manager (the "agent") and the stockholder (the "principal"). The theory suggests that agents do not always act in the best interests of the principals. For example, managers might make a decision that increases their compensation while reducing the wealth of the company, and therefore the wealth of the stockholders. Research suggests that an effective way to align the interests of the agent and the principal is to base the manager's compensation on the performance of the company. Examples include the payment of bonuses that are a percentage of the company's income, and the awarding of stock options. In later chapters we discuss the effects on financial reporting that result from the occurrence, or the potential for occurrence, of agency theory relationships.

*Bonuses and stock options are discussed in Chapters 12 and 15.*

## Financial Reporting

Financial reporting is the process of communicating financial accounting information about a company to external users. A company may report its financial accounting

information in several ways, and one important way is through its *annual report*. The financial reporting section of a company's annual report includes the company's financial statements and the notes to the financial statements. Companies present at least three major financial statements: (1) the *balance sheet* (or statement of financial position), which summarizes a company's financial position at a given date, (2) the *income statement*, which summarizes the results of a company's income-producing activities for a period of time, and (3) the *statement of cash flows*, which summarizes a company's cash inflows and cash outflows for a period of time. Many companies include the *statement of changes in stockholders' equity*, which summarizes the changes in each item of stockholders' equity for a period of time, as a fourth major financial statement.<sup>2</sup>

The *notes* to the financial statements include discussions that further explain items shown in the financial statements. Many of these notes also include supporting schedules of computations (some companies include the statement of changes in stockholders' equity here). The information in the notes is essential to understanding a company's activities. Most financial statements and accompanying notes presented to external users are *audited* by an independent certified public accountant (CPA). As we discuss in Chapters 3 and 5, after completion of the audit, the CPA expresses an opinion as to the fairness, in accordance with *generally accepted accounting principles*, of the financial statements and accompanying notes. These financial statements and notes (and supporting schedules) to the financial statements as they relate to financial reporting are the subject of this book.

2 Know what is included in financial reporting.

## Generally Accepted Accounting Principles

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

The evolution of GAAP took place over many years and involved several accounting policy-making bodies, including the Financial Accounting Standards Board (FASB), Accounting Principles Board (APB), American Institute of Certified Public Accountants (AICPA), and Securities and Exchange Commission (SEC). Unfortunately, there is no single document that includes all the accounting standards. [There are electronic databases such as the FASB *Financial Accounting Research System (FARS)* that include most accounting standards.] Nonetheless, an accountant must be able to determine if a particular procedure for handling a transaction is acceptable under GAAP. Accountants therefore must know the sources of generally accepted accounting principles and must know how to find authoritative sources to aid in recording and reporting a particular transaction. Throughout this book we discuss GAAP for various transactions, events, and circumstances. However, to aid in researching the sources of generally accepted accounting principles, Exhibit 1-4 provides a "hierarchy" of five categories of GAAP and the authoritative sources applicable to each category for companies.

These categories are listed in descending order of importance, with Category A as the most important. Accountants must follow the GAAP established by the pronouncements applicable to this category unless, in unusual circumstances, they result in misleading financial statements. In these circumstances or in situations where the accounting for a transaction or event is not specified by a pronouncement in Category A, then pronouncements in Categories B through D may be used to identify GAAP. Generally, pronouncements in Category B take precedence over those in Category C which, in turn, take precedence over those in Category D. When none of the pronouncements

3 Explain generally accepted accounting principles (GAAP) and the sources of GAAP.

2. Some companies include a *statement of comprehensive income* as another major financial statement. We discuss this statement in Chapter 4.

**EXHIBIT 1-4 Hierarchy of Sources of GAAP**

Categories	Authoritative Sources (Pronouncements)
A. Pronouncements of authoritative bodies (FASB, APB, CAP, SEC)	FASB <i>Statements of Financial Accounting Standards and Interpretations</i> , APB <i>Opinions</i> , and CAP (AICPA) <i>Accounting Research Bulletins</i> (as well as SEC <i>Regulation S-X</i> and <i>Financial Reporting Releases</i> for companies that file with the SEC)
B. Pronouncements of bodies of expert accountants that have been exposed for public comment*	FASB <i>Technical Bulletins</i> , AICPA <i>Industry Audit and Accounting Guides</i> , and AICPA <i>Statements of Position</i>
C. Pronouncements of bodies of expert accountants that have not been exposed for public comment*	FASB Emerging Issues Task Force <i>Consensus Positions</i> and AICPA <i>Practice Bulletins</i>
D. Widely accepted practices and pronouncements representing prevalent practice in a particular industry or applications to specific circumstances	AICPA <i>Accounting Interpretations</i> , FASB <i>Q's and A's</i> , and AICPA <i>Accounting Trends and Techniques</i>
E. Other accounting literature	For instance, FASB <i>Statements of Financial Accounting Concepts</i> , APB <i>Statements</i> , AICPA <i>Issue Papers</i> , AICPA <i>Technical Practice Aids</i> , and accounting texts and articles

\*“Exposed for public comment” means that accountants and external users (the “public”) have an opportunity to make suggestions (comment) on proposed pronouncements. Pronouncements in Categories B and C must also be “cleared” by an authoritative body from Category A, which means that the authoritative body does not object to the pronouncement.

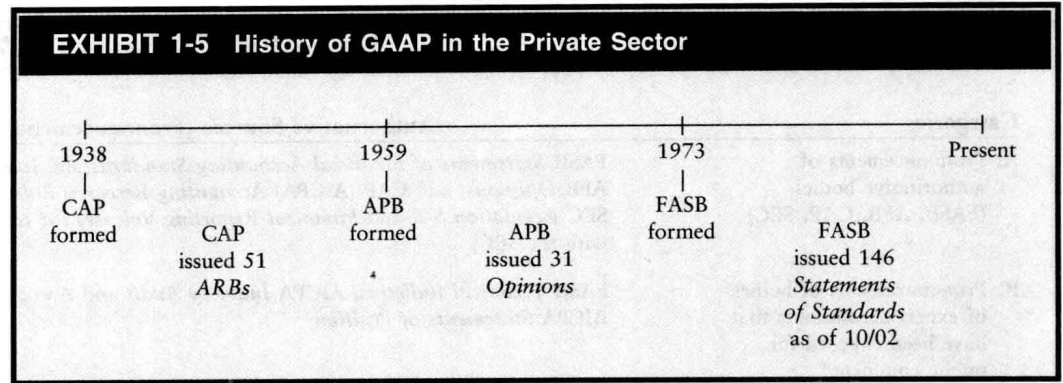
in Categories A through D is applicable, then the accountant may consider other accounting literature (Category E). We discuss each of the policy-making bodies and related pronouncements in the sections that follow.

## THE ESTABLISHMENT OF ACCOUNTING STANDARDS

Even though accounting records dating back thousands of years have been discovered in various parts of the world, there was little organized effort to develop accounting standards in the United States prior to the 1930s. One of the most important initial attempts to develop standards began shortly after the onset of the Great Depression in 1929 with a series of meetings in the early 1930s between representatives of the New York Stock Exchange and the American Institute of Accountants (later to become the American Institute of Certified Public Accountants). The goal was to discuss accounting and reporting issues involving the interests of investors, the New York Stock Exchange, and accountants.

The result of these meetings was a form of the auditor’s opinion similar to the one used today. Specifically, the concepts of *fairness* and *consistency* in the application of accounting principles were introduced into the auditor’s opinion. Fairness, in this regard, means that the accounting methods and procedures adopted by a company comply with traditional and conventional practice and that they adequately portray the economic reality of the company. Since these meetings, several groups have been responsible for the establishment of generally accepted accounting principles in the private sector of the United States. Exhibit 1-5 shows a “time-line” of the establishment of GAAP (Category A of Exhibit 1-4) in the private sector.

*These concepts are discussed in Chapters 3 and 5.*



### Committee on Accounting Procedure (CAP)

In 1938 the AICPA formed the **Committee on Accounting Procedure (CAP)**. This group was responsible for issuing pronouncements to narrow the differences in accounting procedures and practice. Its conclusions were published as **Accounting Research Bulletins (ARBs)**. However, because at that time the AICPA did not have the authority to require compliance, the CAP could not enforce its pronouncements, and their application was optional. By 1953 the CAP had issued 42 *Accounting Research Bulletins*, and it then reviewed these pronouncements and codified them into **Accounting Research Bulletin No. 43**. The CAP issued eight more *Accounting Research Bulletins*, ending with No. 51 before it was replaced by the Accounting Principles Board in 1959. All *Accounting Research Bulletins* now are sources of generally accepted accounting principles unless specifically superseded or amended by other authoritative bodies.

### Accounting Principles Board (APB)

After World War II the process of formulating accounting principles was increasingly criticized and wider representation in rule making was sought. In 1959 the AICPA formed the **Accounting Principles Board (APB)** as an attempt to (1) alleviate this criticism and (2) create a policy-making body whose rules would be binding on companies rather than optional. The APB comprised 17 to 21 members, selected primarily from the accounting profession. Representatives from industry, the government, and academia also served on the Board. The pronouncements of the APB were termed **Opinions of the Accounting Principles Board**, and 31 of these Opinions were issued. *APB Opinions* are sources of generally accepted accounting principles unless specifically amended or rescinded. Some of these Opinions were based upon *Accounting Research Studies*.

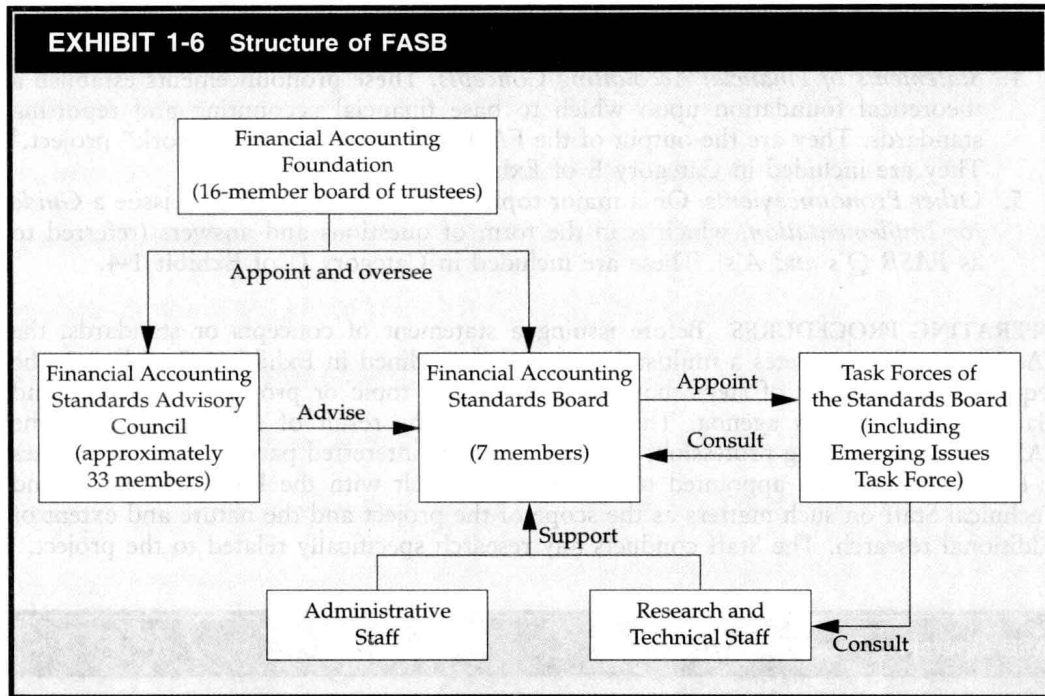
### Financial Accounting Standards Board (FASB)

The AICPA adopted the recommendations of the Wheat Committee. The APB was phased out and replaced in 1973 by the **Financial Accounting Standards Board (FASB)**. Exhibit 1-6 illustrates the current structure of the FASB.

**ORGANIZATION** The Financial Accounting Foundation is the parent organization of the FASB. It is governed by a 16-member Board of Trustees appointed from the memberships of nine organizations (the AICPA, Financial Executives International, Institute of Management Accountants, Association for Investment Management and Research, American Accounting Association, Securities Industry Association, Government Finance Officers Association, Comptrollers and Treasurers, and National Association of State Auditors) interested in the formulation of accounting principles.<sup>3</sup> The primary

3. The Financial Accounting Foundation also is the parent organization of the *Governmental Accounting Standards Board (GASB)*, which establishes accounting principles for state and local governmental entities. We briefly discuss the GASB later in the chapter.





responsibilities of the Financial Accounting Foundation are to provide general oversight to its operations and appoint the members of the Financial Accounting Standards Advisory Council (FASAC) and the FASB. The FASAC consists of about 33 influential members. It is responsible for advising the FASB about major policy issues, the priority of topics, the selection of task forces, the suitability of tentative decisions, and other matters.

There are seven members of the FASB. Appointees to the FASB are full-time, fully paid members with no other organizational ties and are selected to represent a wide cross-section of interests. Each Board member is required to have a knowledge of accounting, finance, and business; high intelligence, integrity, and discipline; and a concern for the public interest regarding financial reporting. Currently, the FASB includes five members who are CPAs and who have been in public practice and two members from other areas related to accounting (e.g., academia and industry). The FASB is responsible for identifying financial accounting issues, conducting research to address these issues, and resolving them. The FASB is supported by a research and technical staff that performs numerous functions such as researching issues, communicating with constituents, and drafting preliminary findings. The administrative staff assists the FASB by handling library, publications, personnel, and other activities.

The FASB issues several types of pronouncements:

1. *Statements of Financial Accounting Standards*. These pronouncements establish generally accepted accounting principles. They are releases indicating the methods and procedures required on specific accounting issues and are included in Category A of Exhibit 1-4.
2. *Interpretations*. These pronouncements provide clarification of conflicting or unclear issues relating to previously issued *FASB Statements of Financial Accounting Standards*, *APB Opinions*, or *Accounting Research Bulletins*. Interpretations also establish or clarify generally accepted accounting principles. They are included in Category A of Exhibit 1-4.
3. *Technical Bulletins*. The staff of the FASB issues these pronouncements to provide guidance on accounting and reporting problems related to *Statements of Financial Accounting Standards* or *Interpretations*. The guidance may clarify,

**4** Identify the types of pronouncements issued by the FASB.