



普通高等教育“十一五”国家级规划教材

教育部高校工商管理类教学指导委员会 双语教学推荐教材



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工商管理经典教材·会计与财务系列

Administration Classics

# 会计学原理

(第19版)

## Principles of Accounting

(Nineteenth Edition)

约翰·J·怀尔德 (John J. Wild)

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著

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## 总 序

随着我国加入 WTO,越来越多的国内企业参与到国际竞争中来,用国际上通用的语言思考、工作、交流的能力也越来越受到重视。这样一种能力也成为我国各类人才参与竞争的一种有效工具。国家教育机构、各类院校以及一些主要的教材出版单位一直在思考,如何顺应这一发展潮流,推动各层次人员通过学习来获取这种能力。双语教学就是这种背景下的一种尝试。

双语教学在我国主要指汉语和国际通用的英语教学。事实上,双语教学在我国教育界已经不是一个陌生的词汇了,以双语教学为主的科研课题也已列入国家“十五”规划的重点课题。但从另一方面来看,双语教学从其诞生的那天起就被包围在人们的赞成与反对声中。如今,依然是有人赞成有人反对,但不论是赞成居多还是反对占上,双语教学的规模 and 影响都在原有的基础上不断扩大,且呈大发展之势。一些率先进行双语教学的院校在实践中积累了经验,不断加以改进;一些待进入者也在模仿中学习,并静待时机成熟时加入这一行列。由于我国长期缺乏讲第二语言(包括英语)的环境,开展双语教学面临特殊的困难,因此,选用合适的教材就成为双语教学成功与否的一个重要问题。我们认为,双语教学从一开始就应该使用原版的各类学科的教材,而不是由本土教师自编的教材,从而可以避免中国式英语问题,保证语言的原汁原味。各院校除应执行国家颁布的教学大纲和课程标准外,还应根据双语教学的特点和需要,适当调整教学课时的设置,合理选择优秀的、合适的双语教材。

顺应这样一种大的教育发展趋势,中国人民大学出版社同众多国际知名的大出版公司,如麦格劳-希尔出版公司、培生教育出版公司等合作,面向大学本科生层次,遴选了一批国外最优秀的管理类原版教材,涉及专业基础课,人力资源管理、市场营销及国际化管理等专业方向课,并广泛听取有着丰富的双语一线教学经验的教师的建议和意见,对原版教材进行了适当的改编,删减了一些不适合我国国情和不适合教学的内容;另一方面,根据教育部对双语教学教材篇幅合理、定价低的要求,我们更是努力区别于目前市场上形形色色的各类英文版、英文影印版的大部头,将目标受众锁定在大学本科生层次。本套教材尤其突出了以下一些特点:

- 保持英文原版教材的特色。本套双语教材根据国内教学实际需要,对原书进行了一定的改编,主要是删减了一些不适合教学以及不符合我国国情的内容,但在体系结构和内容特色方面都保持了原版教材的风貌。专家们的认真改编和审定,使本套教材既保持了学术上的完整性,又贴近中国实际;既方便教师教学,又方便学生理解和掌握。

- 突出管理类专业教材的实用性。本套教材既强调学术的基础性,又兼顾应用的广泛性;既侧重让学生掌握基本的理论知识、专业术语和专业表达方式,又考虑到教材和管理实践的紧密结合,有助于学生形成专业的思维能力,培养实际的管理技能。

- 体系经过精心组织。本套教材在体系架构上充分考虑到当前我国在本科教育阶段推广双语教学的进度安排,首先针对那些课程内容国际化程度较高的学科进行双语教材开发,在其专业模块内精心选择各专业教材。这种安排既有利于我国教师摸索双语教学的经验,使得双语教学贴近现实教学的需要;也有利于我们收集关于双语教学教材的建议,更好地推出后续的双语教材及教辅材料。

- 篇幅合理,价格相对较低。为适应国内双语教学内容和课时上的实际需要,本套教材进行了一定的删减和改编,使总体篇幅更为合理;而采取低定价,则充分考虑到了学生实际的购买能力,从而使本套教材得以真正走近广大读者。

- 提供强大的教学支持。依托国际大出版公司的力量,本套教材为教师提供了配套的教辅材料,如教师手册、PowerPoint 讲义、试题库等,并配有内容极为丰富的网络资源,从而使教学更为便利。

本套教材是在双语教学教材出版方面的一种尝试。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。同时，为使后续推出的教材更适于教学，我们也真诚地期待广大读者提出宝贵的意见和建议。需要说明的是，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，书中内容仍可能有不妥之处，望读者在阅读时注意比较和甄别。

徐二明

中国人民大学

# 主持人语

## (一)

2006年9月,中国人民大学出版社的编辑与我们联系,探讨筹划出版一套会计学系列英文原版教材,我们立即表示愿意合作。

在谈论我国改革开放伟大事业时有一个常被提到的故事:20世纪70年代后期,西方发达国家和我国港澳台地区的企业家、投资人来到中国大陆寻求商机和洽谈合作,总是有两种职业人才相伴,那就是律师和会计师。律师帮助企业家、投资人探究资本的安全性和发展的法制环境,会计师则帮助企业家、投资人分析合作者的财务状况和潜在的投资获利前景。所以,改革开放初期首先面世的相关规范,就是“三资企业法规”和“三资企业会计制度”。

一个显然的事实是,法律不可能国际化(甚至在一个主权国家之内,也存在着地区间的立法差异)。而会计,则一直在朝着成为“国际商业语言”的方向发展。资产负债表、利润表、现金流量表、股东权益变动表等作为会计语言的载体,在全世界的企业家、金融家、资本市场交易者之间,都是基本一致或相似的通用交流工具;而财务报告的编制者和审计者,都在遵循着促成大家得以相互理解、逐渐走向趋同的会计和审计专业规则。

相应地,我国改革开放30多年来,在国际交流的知识融会中,与国际接轨最快的领域当属商学各学科知识,其中会计学更是走在前面。大学会计专业教学在积极采用翻译教材的同时,很早就尝试采用英文原版教材,让广大师生受益匪浅。近年来国内出版的会计类英文版教科书越来越多,几乎没有漏掉大家公认的好书。而在出版时间方面,有些教材在中国出版的影印版和翻译版,甚至与其在母国的原版实现了同步,这使得我们在接受新知识方面几乎不存在时间差。可见,知识领域是没有不可逾越的语言界限的。

不过,我们也注意到,目前我国国内已经出版的众多会计专业英文版教科书,对院校教育的主角——教师和学生——来说,存在着两个严重的弱项:一是多而不成体系,分别看,每本都不错,可是怎么配套呢?要知道,一桌盛宴不能只是道道好菜一股脑儿端上来,还得有荤素冷热搭配才行;二是篇幅厚重、价格吓人,动辄百元以上,别说多数学生买不起,就连教师们在书店也常常因囊中羞涩而犹豫再三,拿起又放下。

所以,我们很愿意与中国人民大学出版社的编辑一起,针对上述两个弱项来有意识地组织这套英文版改编教材。

## (二)

工作的第一步是组织团队。接受邀请的团队成員都是在院校教学一线的教师,分别来自中国人民大学、北京大学、厦门大学、上海财经大学、东北财经大学、北京师范大学、对外经济贸易大学、北京工商大学、北方理工大学、北京语言大学等。他们都拥有博士学位;英文功底都非常好;都已经在教学中采用英文原版教材,从而深有体会;都在海内外核心期刊发表过学术论文;主持和参加的科学研究课题都得到国家自然科学基金、国家社会科学基金、国家博士后科学基金和教育部专项研究基金的有力支持。他们是会计教育和学术研究的中坚力量:其中两位获得2007年“教育部新世纪优秀人才支持计划”研究项目资助,四位曾留学英美,五位入选“首届全国会计学术带头人后备人才”。

第二步是选书。结合当前中国院校会计学专业培养学生的课程设置,在国际著名教育出版公司推荐的基础上,改编团队成员与中国人民大学出版社的编辑一起,选择能够配套成体系的英文教科书。然后请各位改编者提出意向,向国外版权公司提交改编方案,申请版权合同。目前选定的丛书都是在美国院校会计教育中享有盛誉的教科书,作者均为欧美会计、财务学界的知名学者和专业人士。其中有几本已经在国内出版多次翻译版,为

会计界人士所熟悉。

应该提到的一点是，这套丛书并不是封闭的，还计划继续增加新书，以不断充实和完善丛书体系。

第三步是确定改编原则。篇幅要缩小，但是力求改编后尽量保持全书结构的完整，主要是删除章后部分习题和附录，以及与我国实际情况相差较远、教学中不涉及的部分章节，使得改编后的书适合我国教学的实践。为了方便院校老师教学和学生学习的，在教材之外，还计划在中国人民大学出版社网站（[www.rdjg.com.cn](http://www.rdjg.com.cn)）上提供中英文对照的目录和术语表、教学辅助资料、习题、案例、英文 PPT 等，供老师们免费下载。

随着我国教育的深入发展，我国各大学的商学院都越来越重视双语教学，选择反映国外最新教学研究成果的英文原版教材，已经成为普遍要求。为此我们希望，这套丛书能为院校的同仁提供帮助，同时也欢迎提出批评指正意见和改进建议。

王立彦（北京大学光华管理学院）

耿建新（中国人民大学商学院）



## 改编者前言

自教育部对高等学校本科教学提出双语教学的要求后,会计作为国际化程度较高的专业,各地高校相继开设了会计双语教学课程,有的学校还创设了会计全英语教学班。这对拓展学生国际视野、培养国际化会计创新人才和应用人才发挥了重要作用。会计双语与全英语教学既不同于一般的专业外语教学,也不同于一般的专业教学,而表现出其独特的规律性,这些规律又随着不同的专业而具有各自的特点。在近几年的会计双语与全英语教学中,一大批年轻教师辛勤开拓,不断探索会计双语教学与全英语教学规律,取得了巨大成功。然而,仍有许多困惑需要解决,其中教材问题最为突出。国外原版教材内容庞杂、逻辑松散、制度背景差异较大、中国现实问题无从顾及以及价格高昂等,使授课老师在教材选择与应用上十分苦恼,已经影响到教学效果与教学目标的实现。要上好一门课,除了教师的学识修养和教学水平,选择一本好的教材应该是成功的前提。而对会计双语与全英语教材而言,一本好的教材不仅要具有国际权威、知识系统,而且要符合国内教学目标与教学规律的要求。

为满足国内高校开展全英语会计教学与双语会计教学的需要,根据教育部对课程设置要求,我们曾对怀尔德、拉森和基亚佩塔三位著名教授的著作《会计学原理》(第18版)进行了改编,推出了双语教学版。该书自面市以来,受到了市场的青睐,许多高校都将其作为全英语会计教学与双语会计教学的指定教材,市场需求量巨大。随着该教材的推广使用,我们也收到了大量的反馈意见,这些意见中不仅包括肯定该教材特色与改编原则的内容,还包括改编教材中存在的问题反馈。概括起来,基本上认为该书的改编是成功的,实现了改编初衷,但是由于缺乏习题等内容,在教学过程中存在诸多不便。为了巩固双语教材建设成果,满足我国全英语与双语会计教学的实际需要,我们准备对改编教材进行修订。恰好在此期间,怀尔德、肖和基亚佩塔的《会计学原理》(第19版)面市,于是,我们便基于该书进行改编,在改编目标与基本原则不变的前提下,尽量克服上一版存在的问题。我们的改编原则是保持原有教材构架和风格,强调系列教材之间的内容衔接,按照国内的课时要求突出重点内容,压缩篇幅。具体变动如下:(1)删除了管理会计内容;(2)针对改编后的教材内容,精选了满足教学和学习需要的章后练习;(3)删除了影像案例、附录(涉及重点内容的附录除外);(4)对排列不符合国内学生认知规律的一些章节,在改编时进行了调整;(5)删除了各章中与我国现实背景差距较大的内容。

本书被教育部列为“普通高等教育‘十一五’国家级规划教材”之一。这进一步坚定了我们的信心,同时,也感受到巨大的压力。好在有全国会计同仁的支持和帮助,有众多师长和领导的指导和支持,本书终于和大家见面了。

本书适合会计全英语及双语教学使用,也是会计专业外语课程的理想用书,还可以作为会计专业与财务专业本科生、会计学专业硕士(MPAcc)、MBA学生以及各类在职管理人员会计入门用书。

本次改编作为对上次改编经验的巩固,是在充分吸收广大读者的建设性意见基础上的又一次大胆探索,但限于改编者的视野和水平,疏漏总是难免,希望继续得到广大读者的批评、指导和建议。

改编者

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## A Look at This Chapter

Accounting is crucial in our information age. In this chapter, we discuss the importance of accounting to different types of organizations and describe its many users and uses. We explain that ethics are essential to accounting. We also explain business transactions and how they are reflected in financial statements.

## A Look Ahead

Chapter 2 describes and analyzes business transactions. We explain the analysis and recording of transactions, the ledger and trial balance, and the double-entry system. More generally, Chapters 2 through 4 show (via the accounting cycle) how financial statements reflect business activities.



# Chapter

# Accounting in Business

## Learning Objectives

Learning Objectives are classified as conceptual, analytical, or procedural.

## CAP

### Conceptual

- C1** Explain the purpose and importance of accounting in the information age.
- C2** Identify users and uses of accounting.
- C3** Identify opportunities in accounting and related fields.
- C4** Explain why ethics are crucial to accounting.
- C5** Explain generally accepted accounting principles and define and apply several accounting principles.

### Analytical

- A1** Define and interpret the accounting equation and each of its components.
- A2** Analyze business transactions using the accounting equation.

### Procedural

- P1** Identify and prepare basic financial statements and explain how they interrelate.

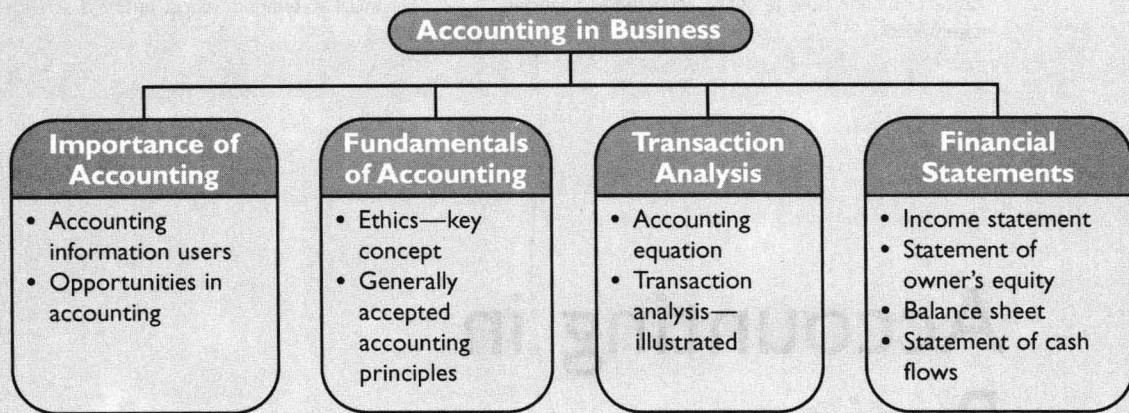


# Chapter Preview

A **Preview** opens each chapter with a summary of topics covered.

Today's world is one of information—its preparation, communication, analysis, and use. Accounting is at the core of this information age. Knowledge of accounting gives us career opportunities and the insight to take advantage of them. This book introduces concepts, procedures, and analyses that help

us make better decisions, including career choices. In this chapter we describe accounting, the users and uses of accounting information, the forms and activities of organizations, and several accounting principles. We also introduce transaction analysis and financial statements.



## Importance of Accounting

**C1** Explain the purpose and importance of accounting in the information age.

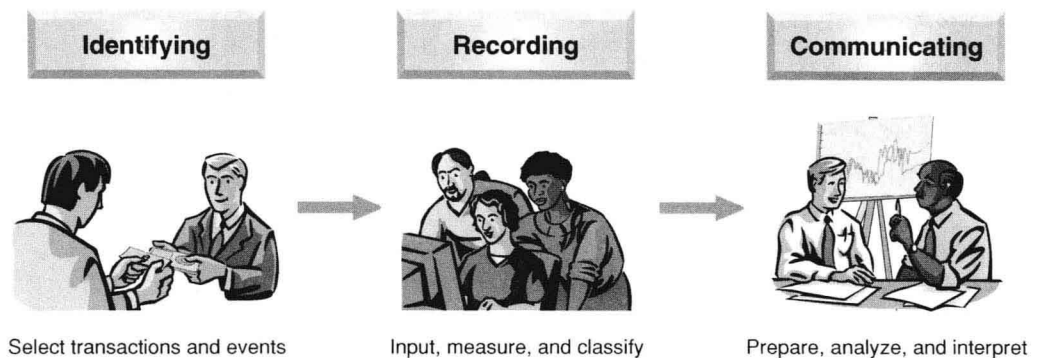
Why is accounting so popular on campuses? Why are there so many accounting jobs for graduates? Why is accounting so important to companies? Why do politicians and business leaders focus on accounting regulations? The answer is that we live in an information age, where that information, and its reliability, impacts the financial well-being of us all.

**Accounting** is an information and measurement system that identifies, records, and communicates relevant, reliable, and comparable information about an organization's business activities. *Identifying* business activities requires selecting transactions and events relevant to an organization. Examples are the sale of iPods by **Apple** and the receipt of ticket money by **TicketMaster**. *Recording* business activities requires keeping a chronological log of transactions and events measured in dollars and classified and summarized in a useful format. *Communicating* business activities requires preparing accounting reports such as financial statements. It also requires analyzing and interpreting such reports. Exhibit 1.1 summarizes accounting activities.

We must guard against a narrow view of accounting. The most common contact with accounting is through credit approvals, checking accounts, tax forms, and payroll. These experiences are limited and tend to focus on the recordkeeping parts of accounting. **Recordkeeping**, or **bookkeeping**, is the recording of transactions and events, either manually or electronically. This

### EXHIBIT 1.1

Accounting Activities



is just one part of accounting. Accounting also identifies and communicates information on transactions and events, and it includes the crucial processes of analysis and interpretation.

Technology is a key part of modern business and plays a major role in accounting. Technology reduces the time, effort, and cost of recordkeeping while improving clerical accuracy. Some small organizations continue to perform various accounting tasks manually, but even they are impacted by technology. As technology has changed the way we store, process, and summarize masses of data, accounting has been freed to expand. Consulting, planning, and other financial services are now closely linked to accounting. These services require sorting through data, interpreting their meaning, identifying key factors, and analyzing their implications.

**Margin notes** further enhance the textual material.

**Point:** Technology is only as useful as the accounting data available, and users' decisions are only as good as their understanding of accounting. The best software and recordkeeping cannot make up for lack of accounting knowledge.

## Users of Accounting Information

Accounting is often called the *language of business* because all organizations set up an accounting information system to communicate data to help people make better decisions. Exhibit 1.2 shows that the accounting information system serves many kinds of users (this is a partial listing) who can be divided into two groups: external users and internal users.

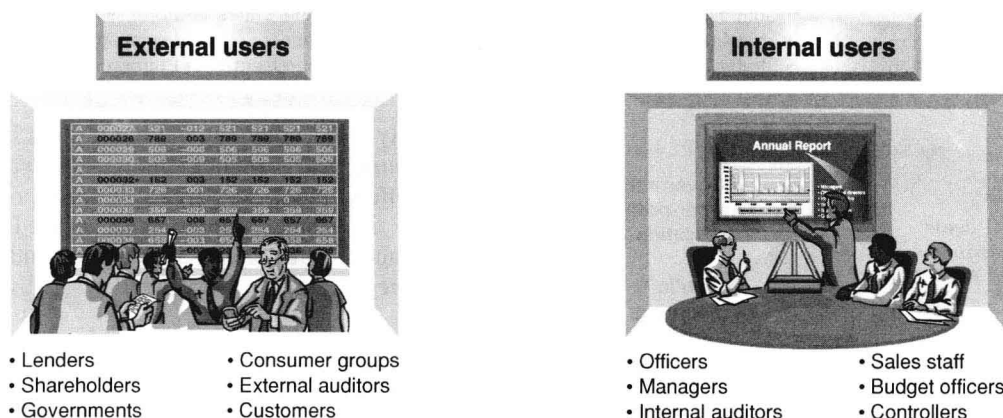
**External Information Users** External users of accounting information are *not* directly involved in running the organization. They include shareholders (investors), lenders, directors, customers, suppliers, regulators, lawyers, brokers, and the press. External users have limited access to an organization's information. Yet their business decisions depend on information that is reliable, relevant, and comparable.

**Financial accounting** is the area of accounting aimed at serving external users by providing them with *general-purpose financial statements*. The term *general-purpose* refers to the broad range of purposes for which external users rely on these statements.

Each external user has special information needs depending on the types of decisions to be made. **Lenders** (creditors) loan money or other resources to an organization. Banks, savings and loans, co-ops, and mortgage and finance companies are lenders. Lenders look for information to help them assess whether an organization is likely to repay its loans with interest. **Shareholders** (investors) are the owners of a corporation. They use accounting reports in deciding whether to buy, hold, or sell stock. Shareholders typically elect a *board of directors* to oversee their interests in an organization. Since directors are responsible to shareholders, their information needs are similar. **External** (independent) **auditors** examine financial statements to verify that they are prepared according to generally accepted accounting principles. **Employees** and **labor unions** use financial statements to judge the fairness of wages, assess job prospects, and bargain for better wages. **Regulators** often have legal authority over certain activities of organizations. For example, the Internal Revenue Service (IRS) and other tax authorities require organizations to file accounting reports in computing taxes. Other regulators include utility boards that use accounting information to set utility rates and securities regulators that require reports for companies that sell their stock to the public.

Accounting serves the needs of many other external users. **Voters**, **legislators**, and **govern-**

**C2** Identify users and uses of accounting.



### EXHIBIT 1.2

Users of Accounting Information

**Infographics** reinforce key concepts through visual learning.

*ment officials* use accounting information to monitor and evaluate government receipts and expenses. *Contributors* to nonprofit organizations use accounting information to evaluate the use and impact of their donations. *Suppliers* use accounting information to judge the soundness of a customer before making sales on credit, and *customers* use financial reports to assess the staying power of potential suppliers.

**Internal Information Users** Internal users of accounting information are those directly involved in managing and operating an organization. They use the information to help improve the efficiency and effectiveness of an organization. **Managerial accounting** is the area of accounting that serves the decision-making needs of internal users. Internal reports are not subject to the same rules as external reports and instead are designed with the special needs of internal users in mind.

There are several types of internal users, and many are managers of key operating activities. *Research and development managers* need information about projected costs and revenues of any proposed changes in products and services. *Purchasing managers* need to know what, when, and how much to purchase. *Human resource managers* need information about employees' payroll, benefits, performance, and compensation. *Production managers* depend on information to monitor costs and ensure quality. *Distribution managers* need reports for timely, accurate, and efficient delivery of products and services. *Marketing managers* use reports about sales and costs to target consumers, set prices, and monitor consumer needs, tastes, and price concerns. *Service managers* require information on the costs and benefits of looking after products and services. Decisions of these and other internal users depend on accounting reports.

Both internal and external users rely on internal controls to monitor and control company activities. *Internal controls* are procedures set up to protect company property and equipment, ensure reliable accounting reports, promote efficiency, and encourage adherence to company policies. Examples are good records, physical controls (locks, passwords, guards), and independent reviews.

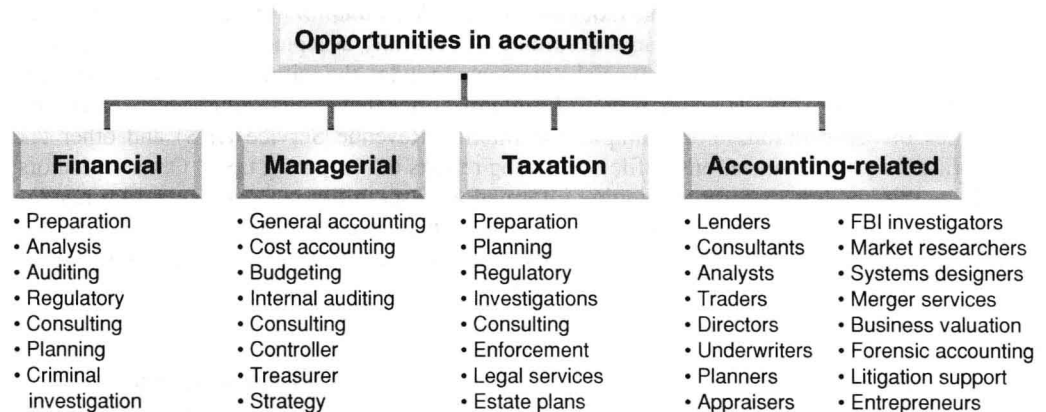
## Opportunities in Accounting

**C3** Identify opportunities in accounting and related fields.

Accounting information affects many aspects of our lives. When we earn money, pay taxes, invest savings, budget earnings, and plan for the future, we are influenced by accounting. Accounting has four broad areas of opportunities: financial, managerial, taxation, and accounting-related. Exhibit 1.3 lists selected opportunities in each area.

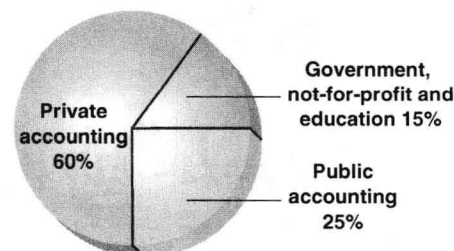
### EXHIBIT 1.3

Accounting Opportunities



### EXHIBIT 1.4

Accounting Jobs by Area



The majority of accounting opportunities are in *private accounting*, as shown in Exhibit 1.4. *Public accounting* offers the next largest number of opportunities. Still other opportunities exist in government (and not-for-profit) agencies, including business regulation and investigation of law violations.

Accounting specialists are highly regarded. Their professional standing often is denoted by a certificate. Certified public accountants

(CPAs) must meet education and experience requirements, pass an examination, and exhibit ethical character. Many accounting specialists hold certificates in addition to or instead of the CPA. Two of the most common are the certificate in management accounting (CMA) and the certified internal auditor (CIA). Employers also look for specialists with designations such as certified bookkeeper (CB), certified payroll professional (CPP), personal financial specialist (PFS), certified fraud examiner (CFE), and certified forensic accountant (CrFA).

Individuals with accounting knowledge are always in demand as they can help with financial analysis, strategic planning, e-commerce, product feasibility analysis, information technology, and financial management. Benefit packages can include flexible work schedules, telecommuting options, career path alternatives, casual work environments, extended vacation time, and child and elder care.

Demand for accounting specialists is booming. Exhibit 1.5 reports average annual salaries for several accounting positions. Salary variation depends on location, company size, professional designation, experience, and other factors. For example, salaries for chief financial officers (CFO) range from under \$75,000 to more than \$1 million per year. Likewise, salaries for bookkeepers range from under \$30,000 to more than \$80,000.

**Point:** The largest accounting firms are Deloitte & Touche, Ernst & Young, PricewaterhouseCoopers, and KPMG.

**Point:** Census Bureau (2007) reports that for workers 18 and over, higher education yields higher average pay:

Advanced degree . . . . .	\$79,946
Bachelor's degree . . . . .	54,689
High school degree . . . . .	29,448
No high school degree . . . . .	19,915

Field	Title (experience)	2007 Salary	2012 Estimate*
<b>Public Accounting</b>	Partner . . . . .	\$190,000	\$242,500
	Manager (6–8 years) . . . . .	94,500	120,500
	Senior (3–5 years) . . . . .	72,000	92,000
	Junior (0–2 years) . . . . .	51,500	65,500
<b>Private Accounting</b>	CFO . . . . .	232,000	296,000
	Controller/Treasurer . . . . .	147,500	188,000
	Manager (6–8 years) . . . . .	87,500	111,500
	Senior (3–5 years) . . . . .	72,500	92,500
	Junior (0–2 years) . . . . .	49,000	62,500
<b>Recordkeeping</b>	Full-charge bookkeeper . . . . .	57,500	73,500
	Accounts manager . . . . .	51,000	65,000
	Payroll manager . . . . .	54,500	69,500
	Accounting clerk (0–2 years) . . . . .	37,500	48,000

\* Estimates assume a 5% compounded annual increase over current levels.

## EXHIBIT 1.5

Accounting Salaries for Selected Fields

### Quick Check

1. What is the purpose of accounting?
2. What is the relation between accounting and recordkeeping?
3. Identify some advantages of technology for accounting.
4. Who are the internal and external users of accounting information?
5. Identify at least five types of managers who are internal users of accounting information.
6. What are internal controls and why are they important?

**Quick Check** is a chance to stop and reflect on key points.

## Fundamentals of Accounting

Accounting is guided by principles, standards, concepts, and assumptions. This section describes several of these key fundamentals of accounting.

### Ethics—A Key Concept

The goal of accounting is to provide useful information for decisions. For information to be useful, it must be trusted. This demands ethics in accounting. **Ethics** are beliefs that distinguish right from wrong. They are accepted standards of good and bad behavior.

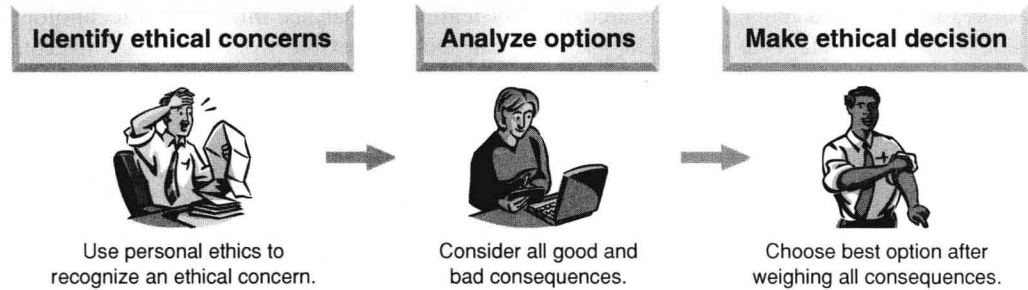
**C4** Explain why ethics are crucial to accounting.



**Point: Sarbanes-Oxley Act** requires each issuer of securities to disclose whether it has adopted a code of ethics for its senior financial officers and the contents of that code.

## EXHIBIT 1.6

Guidelines for Ethical Decision Making



Providers of accounting information often face ethical choices as they prepare financial reports. These choices can affect the price a buyer pays and the wages paid to workers. They can even affect the success of products and services. Misleading information can lead to a wrongful closing of a division that harms workers, customers, and suppliers. There is an old saying: *Good ethics are good business.*

Some people extend ethics to *social responsibility*, which refers to a concern for the impact of actions on society. An organization's social responsibility can include donations to hospitals, colleges, community programs, and law enforcement. It also can include programs to reduce pollution, increase product safety, improve worker conditions, and support continuing education. These programs are not limited to large companies. For example, many small businesses offer discounts to students and senior citizens. Still others help sponsor events such as the Special Olympics and summer reading programs.

## Generally Accepted Accounting Principles

Financial accounting practice is governed by concepts and rules known as **generally accepted accounting principles (GAAP)**. To use and interpret financial statements effectively, we need to understand these principles, which can change over time in response to the demands of users. GAAP aims to make information in financial statements *relevant*, *reliable*, and *comparable*. Relevant information affects the decisions of its users. Reliable information is trusted by users. Comparable information is helpful in contrasting organizations.

**C5** Explain generally accepted accounting principles and define and apply several accounting principles.

**Setting Accounting Principles** Two main groups establish generally accepted accounting principles in the United States. The **Financial Accounting Standards Board (FASB)** is the private group that sets both broad and specific principles. The **Securities and Exchange Commission (SEC)** is the government group that establishes reporting requirements for companies that issue stock to the public.

In today's global economy, there is increased demand by external users for comparability in accounting reports. This often arises when companies wish to raise money from lenders and investors in different countries. To that end, the **International Accounting Standards Board (IASB)** issues *International Financial Reporting Standards (IFRS)* that identify preferred accounting practices. The IASB hopes to create more harmony among accounting practices of different countries. If standards are harmonized, one company can potentially use a single set of financial statements in all financial markets. Many countries' standard setters support the IASB, and differences between U.S. GAAP and IASB's practices are fading. Yet, the IASB does not have authority to impose its standards on companies.

**Point:** State ethics codes require CPAs who audit financial statements to disclose areas where those statements fail to comply with GAAP. If CPAs fail to report noncompliance, they can lose their licenses and be subject to criminal and civil actions and fines.

**Principles and Assumptions of Accounting** Accounting principles (and assumptions) are of two types. *General principles* are the basic assumptions, concepts, and guidelines