21世纪商务管理专业英语

# 会计与财务管理专业英语

English Course for College Accounting and Financial Management

主编 刘胜军

哈尔滨工程大学出版社

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## 内 容 简 介

本教材精选了有一定深度,并且能够系统地阐述会计、财务管理知识领域的文章和论述,有助于大学会计系学生的专业课学习,为双语教学打好基础。

本教材由9个单元组成,每单元由Part A(会计部分)和Part B(财务管理部分)组成。单元附有练习和案例,便于深入理解课文。本书适于大学本科会计系学生作为专业英语教材使用,也可作为财务管理人员的参考读物使用。

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# 前　言

本教程是为了适应在经济日益全球化、信息化、金融化环境中的会计,财务管理人员和大学相关专业学生在专业英语技能方面的需求,在认真总结多年会计专业英语教学经验的基础上,参考了美国大学最新版本的会计教科书,跟踪会计发展的前沿和热点,兼顾“双语”教学要求编写的。在编写过程中,编者力争体现出“用英语学习专业”和“用专业学习英语”相结合的教学和学习方法。

教程共设九个单元,每单元分为两个部分。每单元的 PART A 部分,其内容为财务会计;PART B 部分则对应财务管理。教师可以根据学生的专业方向有针对性地选择相关单元进行教学安排。教程还包括会计、财务管理领域中的常用专业词汇及专业术语注释,原文介绍会计、财务管理专业词汇,基本理论、方法和概念。本书的系统性和专业性较强,可作为大学的会计英语教材和会计、财务管理人员的工作参考书。

本教程由唐现杰主审,刘胜军主编,其中刘胜军编写第一、第二、第三、第四、第六、第九单元,刘兴革编写第五、第七、第八单元。在编写过程中,周航、张国华提出了一些重要建议,在此深表感谢。

由于编者水平有限,错误和疏漏之处在所难免,希望读者批评指正。

编　者

2003 年 6 月

# BRIEF CONTENTS

# Unit 1

## Part A

## Accounting and Financial Reporting

The overall objective of accounting is to provide information that can be used in making economic decisions. Accounting is a service activity. Its function is to provide quantitative information, primarily financial in nature, about economic entities that is intended to be useful in making economic decisions—in making reasoned choices among alternative courses of action.

Several key features of this definition should be noted. Accounting provides a vital service in today's business environment. The study of accounting should not be viewed as a theoretical exercise—accounting is meant to be a practical tool. Accounting is concerned primarily with quantitative financial information that is used in conjunction with qualitative evaluations in making judgments. Accounting information is used in making decisions about how to allocate scarce resources. Economists and environmentalists remind us constantly that we live in a world with limited resources. The better the accounting system that measures and reports the costs of using these resources, the better the decisions that are made for allocating them.

Although accountants place much emphasis on reporting what has already occurred, this past information is intended to be useful in making economic decisions about the future. Users of accounting information who uses accounting information and what information do they require to meet their decision-making needs? In general, all parties interested in the financial health of a company are called stockholders. Stockholder users of accounting information are normally divided into two major classifications: internal users, who make decisions directly affecting the internal operations of the enterprise. External users, who make decisions concerning their relationship to the enterprise. Internal users need information to assist in planning and controlling enterprise operations and managing enterprise resources. The accounting system must provide timely information needed to control day-to-day operations and to make major planning decisions, such as: Do we make this product or another one? Do we build a new production plant or expand existing facilities? Management accounting (sometimes referred to as managerial or cost accounting) is concerned primarily with financial reporting for internal users. Internal users, especially management, have control over the accounting system and can specify precisely what information is needed and how the information is to be reported.

Financial accounting focuses on the development and communication of financial information to external users. The types of decisions made by external users vary widely; thus, their information needs are highly diverse. As a result, two groups of external users, creditors and investors, have been identified as the principal external users of financial information. Creditors need information about the profitability and stability of the enterprise to answer such questions as: Do we lend the money? And, if so, with what provisions? Investors (both existing stockholders and potential investors) need information concerning the safety and profitability of their investment. Note that decision makers using accounting information often occupy conflicting roles. For example, the potential investor is buying from the current investor. Information that is useful to both parties must be neutral in its presentation; it should not favor one party over the other.

**Financial Reporting**

Most accounting systems are designed to generate information for both internal and external reporting. The external information is much more highly summarized than the information reported internally understandably a company does not want to disclose every detail of its internal financial dealings to outsiders. For this reason, external financial reporting is governed by an established body of standards or principles that are designed to carefully define what information a firm must disclose to outsiders. Financial accounting standards also establish a uniform method of presenting information so that financial reports for different companies can be more easily compared. The development of these standards is discussed in some detail later in this chapter.

We focuses on financial accounting and external reporting. The centerpiece of financial accounting is the general-purpose financial statements: balance sheet, income statement, and statement of cash flows. The three major financial statements, along with the explanatory notes and the auditor's opinion, are briefly described below:

The balance sheet report's, as of a certain point in time, the company resource (the assets), the company's obligations (the liabilities), and the net difference between assets and liabilities, which represents the equity of the owners. The balance sheet addresses the fundamental questions: What does a company own and what does it owe?

The income statement reports, for a certain interval, the net assets generated through business operations (revenues), the net assets consumed (expenses), and the difference, which is called net income. The income statement is the accountant's best effort at measuring the economic performance of a company for the given period.

The **statement of cash flows** reports, for a certain interval, the amount of cash generated and consumed by a company through the following three types of activities: **operating, investing, and financing**. The statement of cash flows is the most objective of the financial statements, since it is somewhat insulated from the accounting estimates and judgments needed to prepare a balance sheet and an income statement.

Those accounting estimates and judgments are outlined in the notes to the financial statements. In addition, the notes contain supplemental information as well as information about items not included in the financial statements. Using financial statements without reading the notes is like preparing for an intermediate accounting exam by just reading the table of contents of the textbook—you get the general picture but you miss all the important details. Each financial statement routinely carries the following warning printed at the bottom of the statement: "The notes to the financial statements are an integral part of this statement."

## A Conceptual Framework of Accounting

A strong theoretical foundation is essential if accounting practice is to keep pace with a changing business environment. Accountants are continually faced with new situations, technological advances, and business innovations that present new accounting and reporting problems. These problems must be dealt with in an organized and consistent manner. The conceptual framework plays a vital role in the development of new standards and in the revision of previously issued standards. Recognizing the importance of this role, the FASB stated that fundamental concepts "guide the Board in developing accounting and reporting standards by providing.., a common foundation and basic reasoning on which to consider merits of alternatives." . In a very real sense, then, the FASB itself is a primary beneficiary of a conceptual framework. In addition, when accountants are confronted with new developments that are not covered by GAAP, a conceptual framework provides a reference for analyzing and resolving emerging issues. Thus, a conceptual framework not only helps in understanding existing practice, it also provides a guide for future practice.

Nature and components of the FASB's conceptual framework

serious attempts to develop a theoretical foundation of accounting can be traced to the 1930s. Among the leaders in such attempts were accounting educators, both individually and collectively as a part of the American Accounting Association(AAA). In 1936, the Executive Committee of the AAA began issuing a series of publications devoted to accounting theory, the last of which was published in 1965 and entitled "A Statement of Basic Accounting Theory". During the period from 1936 to 1973, there were several additional publications issued by the AAA and also by the AICPA, each attempting to develop a conceptual foundation for the practice of accounting. While these publications made significant contributions to the development of accounting thought, no unified structure of accounting theory emerged from these efforts. When the FASB was established in 1973, it responded to the need for a general theoretical framework by undertaking a comprehensive project to develop a "conceptual framework for financial accounting and reporting." This project has been described as an attempt to establish a constitution for accounting.

The conceptual framework project was one of the original FASB agenda items. Because of its significant potential impact on many aspects of financial reporting, and therefore its controversial nature, progress was deliberately slow. The project had high priority and received a large share of FASB resources. In December 1985, after almost 12 years, the FASB issued the last of six Statements of Financial Accounting Concepts (usually referred to as Concepts Statements), which provide the basis for the conceptual framework.

The six Concepts Statements address four major areas:

1. Objectives: What are the purposes of financial reporting?
2. Qualitative characteristics: What are the qualities of useful financial information?
3. Elements: What is an asset? a liability? a revenue? an expense?
4. Recognition, measurement, and reporting: How should the objectives, qualities and element definitions be implemented?

**Objectives of Financial Reporting**

Without identifying the goals for financial reporting (e.g., who needs what kind of information and for what reasons), accountants cannot determine the recognition criteria needed, which measurements are useful, or how best to report accounting information. The key financial reporting objectives outlined in the conceptual framework are:

**Usefulness.**
**Understandability.**
**Target audience: investors and creditors.**
**Assessing future cash flows.**
**Evaluating economic resources.**
**Primary focus on earnings.**

**Usefulness**

The overall objective of financial reporting is to provide information that is useful for decision making. The FASB states: Financial reporting should provide information that is useful to present and potential investors and creditors and other users in making rational investment, credit, and similar decisions.

**Understandability**

Financial reports cannot and should not be so simple as to be understood by everyone. Instead, the objective of understandability recognizes a fairly sophisticated user of financial reports, one who has a reasonable understanding of accounting and business and who is willing to study and analyze the information presented. In other words, the information should be comprehensible to someone like you.

**Target Audience: Investors and Creditors**

While there are many potential users of financial reports, the objectives are directed primarily toward investors and creditors. Other external users, like the IRS or the SEC, can require selected information from individuals and companies. Investors and creditors, however, must rely to a significant extent on the information contained in the periodic financial reports supplied by management. In addition, information useful to investors and creditors in most cases will be useful to other external users (i. e., customers and employees).

**Assessing Future Cash Flows**

Investors and creditors are interested primarily in a company's future cash flows. Creditors expect interest and loan principal to be paid in cash. Investors desire cash dividends and sufficient cash flow to allow the business to grow. Thus, financial reporting should provide information that is useful in assessing amounts, timing, and uncertainty(risk) of prospective cash flows.

**Evaluating Economic Resources**

Financial reporting should also provide information about an enterprises assets, liabilities, and owners' equity to help investors, creditors, and others evaluate the financial strengths and weaknesses of the enterprise and its liquidity and solvency. Such information will help users determine the financial condition of a company, which, in turn, should provide insight into the prospects of future cash flows.

**Frimary Focus on Earnings**

Information about enterprise earnings, measured by accrual accounting, generally provides a better basis for forecasting future performance than does information about current cash receipts and disbursements. Thus, the FASB states that "the primary focus of financial reporting is information about an enterprise's performance provided by measures of earnings and its components."

**Qualitative Characteristics of Accounting Information**

The overriding objective of financial reporting is to provide useful information. This is a very complex objective because of the many reporting alternatives. To assist in choosing among financial accounting and reporting alternatives, the conceptual framework identifies the qualitative characteristics of useful accounting information.

The key characteristics discussed below are:

**Benefits greater than cost.**
**Relevance.**
**Reliability.**
**Comparability.**
**Materiality**

**Benefits Greater Than Cost**

Information is like other commodities in that it must be worth more than the cost of producing it. The difficulty in assessing cost effectiveness of financial reporting is that the costs and benefits, especially the benefits, are not always evident or easily measured. In addition, the costs are borne by an identifiable and vocal constituency, the companies required to prepare financial statements. The benefits are spread over the entire economy. Thus, the FASB more frequently hears complaints about the expected cost of a new standard than it hears praise about the expected benefits. In the majority of its recent standards, the FASB has included a section attempting to describe the expected costs and benefits of the standard.

**Relevance**

The FASB describes relevance as "making a difference." Qualities of relevant information are:

**Feedback value.**
**Predictive value.**
**Timeliness.**

Relevant information normally provides both feedback value and predictive value at the same time. Feedback on past events helps confirm or correct earlier expectations. Such information can then be used to help predict future outcomes. For example, when a company presents comparative income statements, an investor has information to compare last year's operating results with this year's. This provides a general basis for evaluating prior expectations and for estimating what next year's results might be.

Timeliness is essential for information to "make a difference," because if the information becomes available after the decision is made, it isn't of much use, Financial reporting is increasingly criticized on the timeliness dimension because in the age of information technology, users are becoming accustomed to getting answers overnight, not at the end of a year or a quarter.

**Reliability**

Information is reliable if it is relatively free from error and represents what it claims to represent. Reliability does not mean absolute accuracy. Information that is based on judgments and that includes estimates' and approximations cannot be totally accurate, but it should be reliable. The objective, then, is to present the type of information in which users can have confidence. Such information must have:

**Verifiability**
**Representational faithfulness.**
**Neutrality**

Verifiability implies consensus. Accountants seek to base the financial statements on measures that can be verified by other trained accountants using the same measurement methods. Representational faithfulness means that there is agreement between a measurement and the economic activity or item that is being measured.

Neutrality is similar to the all-encompassing concept of "fairness." If financial statements are to satisfy a wide variety of users, the information presented should not be biased in favor of one group of users to the detriment of others. Neutrality also suggests that accounting standard setters should not be influenced by potential effects a new rule will have on a particular company or industry. In practice, neutrality is very difficult to achieve, since firms that expect to be harmed by a new accounting rule often lobby vigorously against the proposed standard.

Many of the hard decisions in choosing appropriate accounting practices boil down to a choice between relevance and reliability. Emphasizing reliability results in long preparation times as information is doublechecked, and there is an avoidance of estimates and forecasts that cloud the data with uncertainty. On the other hand, relevance often requires the use of instant information full of uncertainty. These forecasts are not very reliable, but they are extremely relevant—ask any company that has ever purchased property without considering the potential environmental liabilities. As the world has filled with competing sources of instant information, the accounting standards have slowly moved toward more relevance and less reliability.

**Comparability**

The essence of comparability is that information becomes much more useful when it can be related to a benchmark or standard. The comparison may be with data for other firms or it may be with similar information for the same firm but for other periods of time. Comparability of accounting data for the same company over time is often called consistency. Comparability requires that similar events be accounted for in the same manner on the financial statements of different companies and for a particular company for different periods. It should be recognized, however, that uniformity is not always the answer to comparability. Different circumstances may require different accounting treatments.

**Materiality**

Materiality deals with the specific question: Is the item large enough to influence the decision of a user of the information? Quantitative guidance concerning materiality is lacking, so managers and accountants must exercise judgment in determining whether an item is material. All would agree that an item causing net income to