

Sandra Costinett English For Careers

The Language of Accounting in English

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Regents Publishing Company, Inc.

Illustrations by Oscar Fernández

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of Mr. Robert Brussel and Mr. Abraham Green.

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FOREWORD

This book is one of a series of texts called *English For Careers*. The series is intended to introduce students of English as a foreign language to the specialized language of a number of different professional and vocational fields. The career areas that are covered are those in which English is widely used throughout the world—computer programming, tourism, international finance, and, in the case of this particular book, accounting.

Each book in the series serves several purposes; the first is to give the student an introduction to the particular vocational area in which he or she is involved. The duties of different kinds of jobs are discussed, as well as the various problems that might be encountered at work. In this book, accounting as a whole is considered, along with some of the areas of specialization within this broad field. The aptitudes, training, and experience which are necessary to fill different jobs within the accounting field are also considered. This book is not intended to be a detailed training manual, but rather a general introduction to both the opportunities and the problems involved in accounting.

From the point of view of teaching English as a foreign language, these books are intended for a student at the high intermediate or the advanced level. In other words, the student who uses these books should be acquainted with most of the structural patterns of English. His or her principal goals as a learner should be to master vocabulary, to use the various structural patterns in a normal mixture, and to improve his or her overall ability to communicate in English.

Each unit begins with a glossary of special terms that is followed by a vocabulary practice section. Here, the student is asked questions whose answers will help him or her to use the special terms. In the reading selection, the terms are again used, this time in a contextual frame of reference. Each selection is followed by discussion questions.

They give the student the opportunity to practice using what has been learned in the unit up to this point.

Each unit concludes with a review section that tests the student's ability to solve problems that might typically occur on the job. He or she is asked, for instance, whether certain financial transactions should be credited or debited to different kinds of accounts. In doing such exercises, he or she will also practice both the specialized vocabulary and other new words, as well as the structural patterns that are used with them.

A great deal of successful language learning comes from experiences in which the learning is largely unconscious. In offering these books, it is hoped that the student's interest in the career information presented will increase his or her ability to communicate more easily in English.

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UNIT ONE

THE FIELD OF ACCOUNTING

Special Terms

Accounting: The recording, classifying, summarizing, and interpreting of those business activities that can be expressed in monetary terms. The term also refers to the principles that underlie this process. *Accountancy* is sometimes used as an alternate expression, especially for the practice of accounting. A person who specializes in this field is an *accountant*.

Management: The planning and direction of the policy and operations of an organization. The term refers both to the principles that apply to management and to the people who carry out the functions of management.

Organization Chart: A graphic layout that illustrates the rank and/or departmental and functional operations in a company or organization.

Cash Flow: The actual receipt and expenditure of cash by an organization.

Fiscal: Another term for *financial*; in other words, this term refers to matters of money.

Bookkeeping: The systematic recording of financial information. The *bookkeeper* does not design or set up a record-keeping system, nor does he or she interpret financial transactions, as does the accountant. The bookkeeper's job is to keep an accurate record of financial data. Financial records are frequently referred to as the *books of account*.

Certified Public Accountant: Ordinarily abbreviated and referred to as a *CPA*. A *CPA* is an accountant who has passed a series of

examinations and received a certificate or license entitling him or her to render an opinion, qualified or unqualified, as to the fair presentation of the data in the statements. In the United States, the examinations are held on a statewide basis. The British equivalent of a CPA is a *chartered accountant*.

Audit: A review of an organization's financial records by an accountant. A person who performs an audit is an *auditor*.

Governmental and Institutional Accounting: A specialized branch of accounting that deals with government agencies or nonprofit organizations. Legal as well as financial matters are often involved.

Controller/Comptroller: The chief financial officer of an organization.

Cost Accounting: A branch of accounting that deals with the analysis of certain accounting values. It is usually associated with the determination of the actual unit value of an item manufactured by a company.

Asset: Anything of value or use to an organization. This includes cash, receivables, securities, property, and intangibles, such as goodwill. Goodwill is the extra value (such as a company's reputation and other intangibles) of a business not reflected in its financial statements. It is usually determined at the time of sale and purchase.

Managerial Accounting: A branch of accounting that deals with fiscal reports which are particularly useful to management in establishing operating policies for an organization.

Vocabulary Practice

1. What does the term *accounting* refer to? What term is used as an alternate? What is a person who specializes in the field called?
2. What does the term *management* mean?
3. What is the purpose of an *organization chart*?
4. What is *cash flow*?
5. What does the word *fiscal* refer to?

6. What does *bookkeeping* refer to?
7. What are the differences between the duties of a bookkeeper and those of an accountant?
8. What is a *certified public accountant*? What abbreviation is commonly used? What is the British equivalent?
9. What is an *audit*? Who performs it?
10. What areas does a *governmental and institutional accountant* deal with? What kind of matters may be involved?
11. What is a *controller* or *comptroller*?
12. What does *cost accounting* deal with?
13. What are the *assets* of an organization? What is *goodwill*?
14. What does *managerial accounting* deal with?

The Field of Accounting

Accounting frequently offers the qualified person an opportunity to move ahead quickly in today's business world. Indeed, many of the heads of large corporations throughout the world have advanced to their positions from the accounting department. In industry, *management*, government, and business, accountants generally start near the top rather than near the bottom of the *organization chart*. Management relies on the expert knowledge and experience of accountants to cope with the increasingly complex problems of taxes and *cash flow*.

Accounting is a basic and vital element in every modern business. It records the past growth or decline of the business. Careful analysis of these results and trends may suggest the ways in which the business may grow in the future. Expansion or reorganization should not be planned without the proper analysis of the accounting information; and new products and the campaigns to advertise and sell them should not be launched without the help of accounting expertise.



Working with an abacus.

Working with a calculator.

Accounting is one of the fastest growing fields in the modern business world. Every new store, school, restaurant, or filling station—indeed, any new enterprise of any kind—increases the demand for accountants. Consequently, the demand for competent accountants is generally much greater than the supply. Government officials often have a legal background; similarly, the men and women in management often have a background in accounting. They are usually familiar with the methodology of finance and the fundamentals of *fiscal* and business administration.

Earlier accounting procedures were simple in comparison with modern methods. The simple *bookkeeping* procedures of a hundred years ago have been replaced in many cases by the data-processing computer. The control of the fiscal affairs of an organization must be as scientific as possible in order to be effective.

In the past, a *bookkeeper* kept the *books of accounts* for an organization; the present-day accountant's job developed from the bookkeeper's job. Today, a sharp distinction is made between the relatively unchanged work performed by a bookkeeper and the more sophisticated duties of the accountant. The bookkeeper simply enters data in financial record books; the accountant must understand the entire system of records so that he or she can analyze and interpret business transactions. To explain the difference briefly, the accountant sets up a bookkeeping system and interprets the data in it, whereas the bookkeeper performs the routine work of recording figures in the books. Because interpretation of the figures is such an important part of the accountant's function, accounting has often been described as an art.

The field of accounting is divided into three broad divisions: public, private, and governmental. A *certified public accountant*, or

CPA, as the term is usually abbreviated, must pass a series of examinations, after which he or she receives a certificate. In the United States, the certification examinations are prepared and administered by the American Institute of Certified Public Accountants. The various states or other major governmental jurisdictions set additional qualifications for residence, experience, and so on. The British equivalent of a CPA is called a *chartered accountant*.

CPAs can offer their services to the public on an individual consultant basis for which they receive a fee. In this respect and many others, they are similar to doctors or lawyers. Like them, CPAs may be self-employed or partners in a firm; or they may be employed by an accounting firm. Some CPAs perform work for corporations or government offices and receive a salary like other members of management. Nevertheless, they are still considered to be accountants. It is not necessary to have a certificate in order to practice accounting. Junior employees in large firms, for example, are often acquiring sufficient experience to take the examinations.

Public accounting consists largely of auditing and tax services. An *audit* is a review of the financial records of an organization. It is usually performed at fixed intervals of time—perhaps quarterly, semiannually, or annually. And as the tax laws have grown increasingly complex, not only corporations but also individuals have had to utilize the services of accountants in preparing their tax forms and calculating their tax liability. Business enterprises, government agencies, and nonprofit organizations all employ public accountants either regularly or on a part-time basis.

Many accountants work in government offices or for nonprofit organizations. These two areas are often joined together under the term *governmental and institutional accounting*. The two are similar because of legal restrictions in the way in which they receive and spend funds. Therefore, a legal background is sometimes necessary for this type of accounting practice.

All branches of government employ accountants. In the United States, this includes federal, state, and local governments. In addition, government-owned corporations in the United States and in many other countries have accountants on their staffs. All of these accountants, like those in private industry, work on a salary basis. They tend to become specialists in limited fields like transportation or public utilities.



A CPA audits books for a small business.

Nonprofit organizations are of course in business for some purpose other than making money. They include cultural organizations like symphony orchestras or opera societies, charitable organizations, religious groups, or corporate-owned research organizations. Although they are limited in the manner in which they can raise and spend their funds, they usually benefit from special provisions in the tax laws.

Private accountants, also called executive or administrative accountants, handle the financial records of a business. Like those who work for the government or nonprofit organizations, they are salaried rather than paid a fee. Those who work for manufacturing concerns are sometimes called industrial accountants. Some large corporations employ hundreds of employees in their accounting offices.

The chief accounting officer of a company is the *controller*, or *comptroller*, as he or she is sometimes called. Controllers are responsible for maintaining the records of the company's operations. On the basis of the data that have been recorded, they measure the company's performance; they interpret the results of the operations; and they plan and recommend future action. This position is very close to the

top of management. Indeed, a controller is often just a step away from being the executive officer of a corporation.

One of the specialties within the private accounting field is *cost accounting*, which is chiefly concerned with determining the unit cost of the products the company manufactures and sells. For example, if a company manufactures radios, the unit cost of the product equals the cost of making each individual radio. The unit cost must include not only the price of the materials in the product, but also other expenses, including labor and overhead. Without unit costs, manufacturing firms could not accurately determine the price they must sell their products for in order to bring an adequate return on investment.

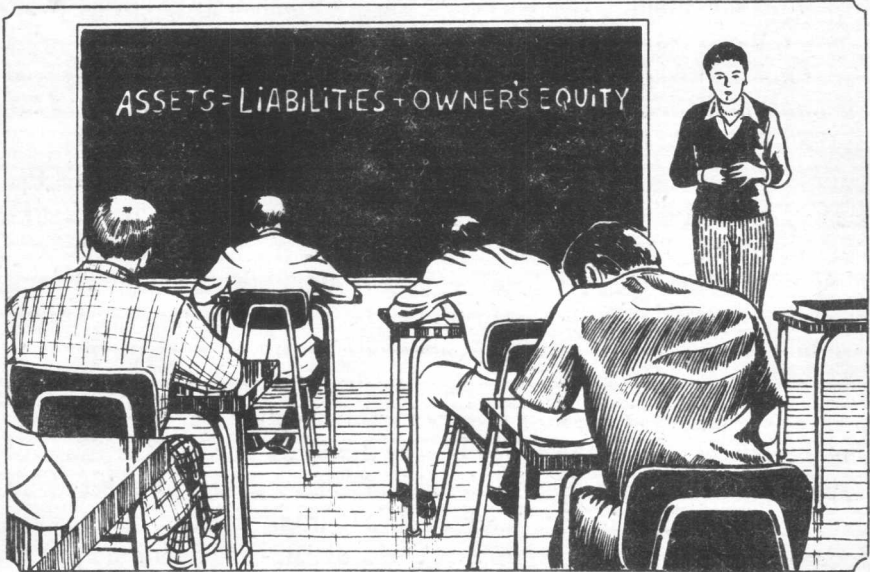
Many private organizations also hire salaried accountants to perform audits. These people are sometimes called internal *auditors*. They are in charge of the protection of the firm's *assets*—the things of value owned by the company, including cash, securities, property, and even goodwill. The internal auditor sees that current transactions are recorded promptly and completely. He or she also identifies inefficient procedures or detects fraudulent transactions. He or she is usually called upon to propose solutions for these problems.

Managerial accountants are other specialists within the broad area of private accounting. In particular, they work with the kinds of financial reports necessary to management for the efficient operation of the company, including budgets and cash flow projections.

A small business may retain the services of a CPA to perform all or some of these functions. A medium-sized business may employ a staff accountant who does all of them. As companies grow, their accounting staffs become increasingly specialized. As we have noted, the big corporations employ hundreds of people in their headquarters and branch offices for the purpose of fiscal administration. Many of the people who move ahead most rapidly in private organizations are CPAs. The simple fact of having passed the certifying examination gives them an advantage over those who haven't.

Teaching accountants have formal training and some practical experience in the field. They often prefer to teach the subject, however, because of the security of a salaried position. They may work in a university or commercial school. Some teaching accountants also offer seminars in accounting procedures to different organizations.

Many people have chosen accounting as a profession because of its many advantages. Many jobs are usually available, primarily



An accounting teacher conducting a class.

because the education and training for accounting careers have not kept pace with the demand for accounting services. Once on the job, private or governmental accountants have security, and they are usually given the chance to move upward in the company—sometimes, as we have noted, to the top. Salaries for people with accounting training are usually good, even on the lower levels, and for those who rise to the top of the profession, they are correspondingly high. Certified public accountants now enjoy professional status similar to that of doctors or lawyers.

Likely candidates for success in the field typically have an interest in business; they must be able to understand the conditions that indicate business success or failure. Another prerequisite is mathematical ability. Once they have completed their education in accounting, many paths are open to them.

A new CPA can begin a private practice or form a partnership with other accountants. If he or she goes into private or governmental accounting, he or she can specialize in one of the branches within the field, such as cost or tax accounting. Still another possibility is a teaching career, although prior practical experience is usually preferred. Salaried positions with business or government offer strong

security, since accounting work is not usually subject to either short-term changes or long-term trends in the business cycle. Salaried accountants are not as likely to be affected by layoffs or seasonal changes in the work load as are industrial or clerical workers.

Discussion

1. What does accounting frequently offer the qualified person?
2. Explain how accounting is a basic and vital element in modern business.
3. Why is accounting one of the fastest growing fields in the modern business world?
4. What are men and women in management usually familiar with?
5. How do modern accounting procedures compare with those used a hundred years ago?
6. How did the accountant's job develop? How has it changed over the years?
7. How does the job of a bookkeeper differ from that of an accountant?
8. Why has accounting been described as an art?
9. What are the three broad divisions in the field of accounting?
10. What does CPA stand for? What do you think is the significance of the word *certified*?
11. In what respect is a CPA similar to a doctor or a lawyer?
12. What does public accounting largely consist of? Why do businesses as well as individual citizens often need the services of a public accountant?

13. In what way are governmental and institutional accounting similar? What kind of background is sometimes necessary for this kind of work?
14. What government branches employ accountants? Do these accountants work on a fee or salary basis? What government offices in your country or area employ accountants?
15. What is a nonprofit organization? What are some specific examples? How are nonprofit organizations limited?
16. What are private accountants also called? How are they similar to governmental or institutional accountants?
17. By what title is the chief accounting officer of a company often called? What is he or she responsible for?
18. How does cost accounting differ from other areas of accounting? Why is it an important branch of the field?
19. What are internal auditors concerned with?
20. What is the name for an accountant who works particularly with the kinds of reports that are necessary to management? What reports do these include?
21. How does the size of a company determine the kinds of accounting services it employs?
22. Do CPAs have any advantages when they work in private accounting?
23. What kind of background do teaching accountants probably have? Where might they be employed?
24. What are some of the advantages of accounting as a field of employment?
25. What qualifications are necessary for success in the field of accounting?