

高等院校会计专业系列教材

会计英语

Accounting English

陈杰 编著

湖南大学出版社

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陈 杰 编 著

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前 言

我国加入世贸组织后,需要大量具备外语和相关专业知识并能将其融会贯通的复合型人才。就会计领域而言,那些掌握国际会计的实务操作,具备会计英语的听、说、读、写能力的高级会计人才,更为社会所急需。

在长期的会计专业英语的教学实践中,作者深深体会到,学好专业英语不仅要掌握一定的英语专业词汇,更重要的是要将英语与会计专业知识融会贯通,同时还需要了解国外的经济、法律背景,以英语的思维方式来研究专业知识。双语教学法的改革离不开教材建设。为了使高校的会计相关专业的学生以及广大会计实务工作者在学习会计英语的同时,掌握好西方会计的专业知识,加强英语语言与会计专业之间的整体联系,作者根据美国最新的英文原版大学会计教材编写了此书,旨在帮助学习者掌握会计学基本原理、方法与实务技能的英语表达方法,以提高阅读会计英语书籍和运用英语处理会计业务的能力。

本书共十三章,包括了基础会计、财务会计的基本理论与实务的主要内容。为了便于教学和帮助读者系统自学各章的内容,本书各章内容包括:学习目标、英文课文、本章知识点、阅读材料、选择题及大量的实务练习题。由于本书的英文课文主要取材于美国的大学会计教科书,为了方便教学与读者自学,每课后附有本章知识点,书后附有大量的词汇注解,对一些专业性词汇和术语做了比较详尽的解释。

本书为高等院校财务会计、财务管理、审计等专业学生以及在涉外企业工作的会计人员、财务经理及会计英语爱好者编写。其内容丰富,语言简练,兼顾了英语学习与专业学习的基本特点,是广大读者学习会计英语语言和西方会计专业知识的一部较为理想的会计英语教科书,也是基础会计、财务会计课程双语教学的理想教材。

尽管在编写的过程中作者已尽了自己最大的努力,但由于水平有限,加之时间紧迫,书中在所难免地存在一些疏漏和不足之处,欢迎广大读者和专家同仁批评指正。

作 者

2004 年 7 月

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Chapter 1 Introduction

Chapter Topics

1. Accounting as an information system.
2. Profession of accounting.
3. Specialized accounting fields.
4. Business entity concept.
5. The cost principle.
6. Transactions and the accounting equation.

Do you use accounting information? The answer to the questions is yes. We all use accounting information in one form or another. For example, if you are thinking about buying a new car, you use accounting information to determine whether you can afford the monthly payments. Similarly, your decision to attend college implies that you considered the benefits (the ability to obtain a higher-paying or more desirable job). Most likely, you also considered the related costs of attending college (the costs of tuition, textbooks, and so on).

Managers of businesses make decisions similar to this everyday. For example, a manager of a chain of pizza restaurants must decide whether to acquire delivery cars. Accounting information about the pizza restaurants will be a major factor in determining whether the cars should be acquired. Also this information will be used in determining whether a loan can be obtained to finance the purchase of the cars.

1.1 Accounting as Information System

Accounting may be defined as an information system that provides reports to various individuals or groups about economic activities of an organization or other entity. You might think of accounting as the “language of business”, because it is the means by which most business information is communicated. For example, companies distribute accounting reports that summarize their financial performance to their owners, creditors, government regulators, and potential investors.

The process of using accounting to provide information to users is illustrated in Exhibit 1-1. First, accountants must identify user groups and their information needs.

These needs determine which economic data activities are recorded by the accounting system. Finally, accountants prepare reports that summarize this information for users.

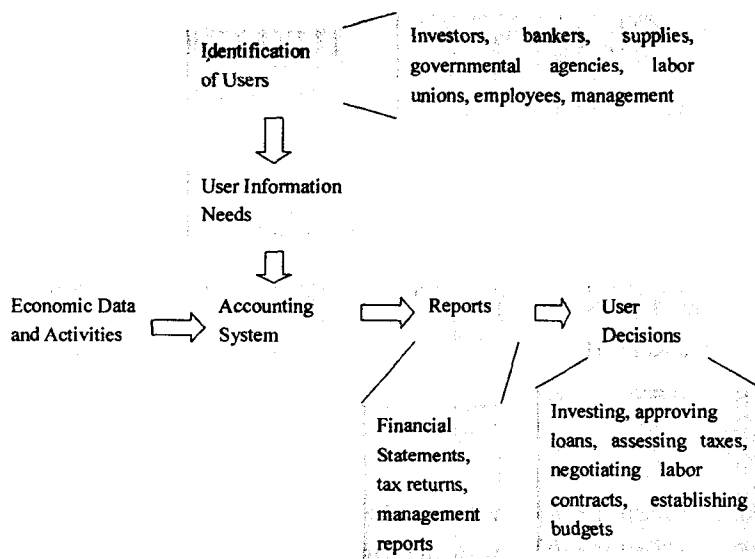


Exhibit 1-1 The Accounting as a Process of Providing Information to Users

1.2 Profession of Accounting

The demand for accounting services has increased with the increase in number, size, and complexity of businesses. In addition, new laws and regulations have also created an increased demand for accounting.

You may wonder whether there are career opportunities in accounting. The answer is yes. Employment opportunities in the profession of accountancy are expected to continue to grow and expand. In a report prepared by the U. S. Department of Labor, the accounting profession is projected to increase by 39.8% between the late 1980s and the year 2000.

Accountants are engaged in either (1) private accounting or (2) public accounting. Accountants employed by a business firm or not-for-profit organization are said to be engaged in private accounting. Accountants and their staff who provide services on a fee basis are said to be engaged in public accounting.

Experience in private and public accounting has long been recognized as excellent training for top management positions. Many positions in industry and in state and federal agencies are held by individuals with education and experience in accounting.

For example, in its 1990 Special Bonus Issue on "The Corporate Elite", Business Week reported that 31% of the chief executives of the 1,000 largest public corporations

followed a finance-accounting career path. Merchandising-marketing was the career path for 27%, and engineering-technical was the career path for 22% of the chief executives.

Private Accounting

The scope of activities and duties of private accountants varies widely. Private accountants are frequently called management accountants. If they are employed by a manufacturing firm, they may be called industrial or cost accountants. The chief accountant in a business may be called the controller. Various state and federal agencies and other not-for-profit agencies also employ accountants.

Public Accounting

In public accounting, an accountant may practice as an individual or as a member of a public accounting firm. Public accountants who have met a state's education, experience, and examination requirements may become Certified Public Accountants (CPAs).

The requirements for obtaining a CPA certificate differ among the various states. All states require a college education in accounting, and most states now require 150 semester hours of college credit. In addition, a candidate must pass a two-day examination prepared by the American Institute of Certified Public Accountants (AICPA). How difficult is the CPA examination? Approximately 30% of the candidates pass each of the four parts of the CPA examination. Only about 10% to 20% pass the entire examination at one time.

Specialized Accounting Fields

You may think that all accounting is the same. However, you will find several specialized fields of accounting in practice. The two most common are financial accounting and managerial accounting. Other fields include cost accounting, environmental accounting, international accounting, not-for-profit accounting, and social accounting.

Financial accounting is primarily concerned with the recording and reporting of economic data and activities for an entity. Although such reports provide useful information for managers, they are the principal reports for owners, creditors, governmental agencies, and the public. Financial accountants follow generally accepted accounting principles (GAAP) in preparing reports for stockholders and the investing public. These of accounting ensure that reports for different companies can be compared. For example, the ability to compare financial reports is essential for an investor who is deciding which company to invest.

Managerial accounting, often called management accounting, uses both financial accounting and estimated data to the management in running day-to-day operations and planning future operations. Managerial accounting can provide managers with relevant

and timely information and reports. Unlike financial accountants management accountants are not restricted to using generally accepted accounting principles. Instead, management accountants use the basic principle of gathering and reporting information that is useful to management. Thus, managerial reports can widely offer information and content.

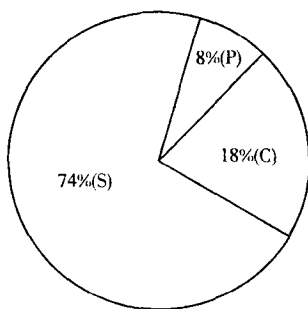
Management accountants are often concerned with identifying alternative courses of action and preparing reports of evaluating the impact of each alternative. For example, the president of a company might request an analysis of alternative plans for financing the construction of a new office building.

1.3 The Accounting Entity Assumption

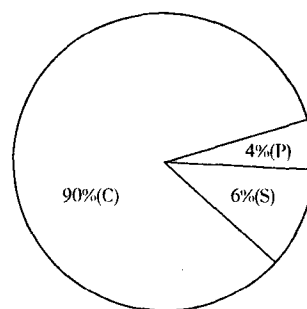
The business entity concept is based on identifying the individual economic units for which economic data are needed. Once the entity is identified, the accountant can determine which economic data and activities should be analyzed, recorded, and summarized in reports. The business entity could be an individual, a not-for-profit organization such as a church, or a profit enterprise such as a real estate agency.

This textbook focuses on accounting concepts and principles for profit-making businesses. Such businesses are normally organized as sole proprietorships, partnerships, or corporations. A sole proprietorship is owned by one individual. A partnership is owned by two or more individuals. A corporation is organized under state or federal states as a separate legal entity. The ownership of a corporation is divided into shares of stock. The sole proprietorship is the most common business form. However, corporations receive 90% of the total dollars of business receipts. These facts are shown in Exhibit 1-2.

Number of Businesses



Dollars of Businesses Receipts



C: Corporation P: Partnership S: Sole Proprietorship

Exhibit 1-2 Profit-Making Businesses

1.4 The Historical Cost Principle

The historical cost principle determines the amount entered into the accounting records for purchases of properties and services. For example, if a building is bought for \$150,000, that amount should be entered into the buyer's accounting records. The seller may have been asking \$170,000 for the building up to the time of the sale. The buyer may have initially offered \$13,000 for the building. The building may have been assessed at \$125,000 for property tax purposes. The buyer has received an offer of \$175,000 for the building the day after it was acquired. These latter amounts have no effect on the accounting records because they did not result in an exchange of the building from the seller to the buyer. The exchange price, or cost, of \$150,000 is the amount used in the accounting records for the building.

Continuing the illustration, the \$175,000 offer received by the buyer the day after the building was acquired indicates that it was a bargain purchase at \$150,000. To use \$175,000 in the accounting records, however, would record an illusory or unrealized profit. If, after buying the building, the buyer accepts the offer and sells the building for \$175,000, a profit of \$25,000 is then realized and recorded. The new owner would record \$175,000 as the cost of the building.

In exchanges between buyer and seller, both try to get the best price. Only the final amount agreed on is objective enough for accounting purposes. If the amounts for which properties were recorded were constantly revised upward and downward based on offers, appraisals, and opinions, reports would become unstable and unreliable.

1.5 Assets, Liabilities, and Owner's Equity

The properties owned by a business are called assets. The rights or claims to the properties are normally divided into two principal types: (1) the rights of creditors and (2) the rights of owners. The rights of creditors represent debts of the business and are called liabilities. The rights of the owners are called Owner's equity. The relationship may be stated in the form of an equation, as follows:

$$\text{Assets} = \text{Liabilities} + \text{Owner's Equity}$$

The preceding equation is known as the accounting equation. It is usual to place liabilities before owner's equity in the accounting equation because creditors have prior rights to the assets. The claim of the owners is sometimes given greater emphasis by transposing liabilities to the other side of the equation yielding:

$$\text{Assets} - \text{Liabilities} = \text{Owner's Equity}$$

To illustrate, if the assets owned by a business amount to \$100,000 and the liabil-

ities amount to \$30,000, the owner's equity is equal to \$70,000, as shown below:

Assets — Liabilities = Owner's Equity

\$100,000 — \$30,000 = \$70,000

1.6 Financial Statements

After transactions have been recorded and summarized, reports are prepared for users. The accounting reports that provide this information are called financial statements. The principal financial statements of a sole proprietorship are the income statement, the statement of owner's equity, the balance sheet, and the statement of cash flows. The nature of the entity's data presented in each statement is as follows:

Income statement: A summary of the revenue, expenses, and profit for a specific period of time, such as a month or a year.

Statement of owner's equity: A summary of the changes in the owner's equity that have occurred during a specific period of time, such as a month or a year.

Balance sheet: A list of the assets, liabilities, and owner's equity as of a specific date, usually at the close of the last day of a month or a year.

Statement of cash flows: A summary of the cash receipts and payments for a specific period of time, such as a month or a year.

Illustrative Problem

On July 1 of the current year, the assets and liabilities of Cecil Jameson, Attorney-at-Law, are as follows: cash, \$1,000; accounts receivable, \$3,200; supplies, \$850; land, \$10,000; accounts payable, \$1,530. Cecil Jameson, Attorney-at-Law, is a sole proprietorship owned and operated by Cecil Jameson. Currently, office space and office equipment are being rented, pending the construction of an office complex on land purchased last year. Business transactions during July are summarized as follows:

- a. Received cash from clients for services, \$3,929.
- b. Paid creditors in account, \$1,055.
- c. Received cash from Cecil Jameson as an additional investment, \$3,700.
- d. Paid office rent for the month, \$1,200.
- e. Charged clients for legal services on account, \$2,025.
- f. Purchased office supplies on account, \$245.
- g. Received cash from clients on account, \$3,000.
- h. Received invoice for paralegal services from Legal Aid Inc. for July (to paid on August 10), \$1,635.
- i. Paid the following: wages expense, \$850; answering service expense, \$250; utilities expense, \$325; and miscellaneous expense, \$75.

j. Determined that the cost of office supplies on hand was \$980; therefore, the cost of supplies used during the month was \$115.

k. Jameson withdrew \$1,000 in cash from the business for personal use.

Instructions

1. Determine the amount of owner's equity (Cecil Jameson's capital) as of July 1 of the current year.

2. State the assets, liabilities, and owner's equity as of July 1 in equation form similar to that shown in this chapter. In tabular form below the equation, indicate the increases and decreases resulting from each transaction and the new balances after each transaction. Explain the nature of each increase and decrease in owner's equity by an appropriate notation at the right of the amount.

3. Prepare an income statement for July, a statement of owner's equity for July, and a balance sheet as of July 31.

Solution

1.

Assets — Liabilities = Owner's Equity (Cecil Jameson, capital)

\$15,050 — \$1,530 = Owner's Equity (Cecil Jameson, capital)

\$13,520 = Owner's Equity (Cecil Jameson, capital)

2.

<u>Assets</u>					<u>= Liabilities + Owner's Equity</u>		
Accounts					Accounts + Cecil Jameson.		
	Cash	+ Receivable	+ Supplies	+ Land	= Payable	+ Capital	
Bal.	1,000	3,200	850	10,000	1,530	13,520	
a.	+3,928					+3,928	Fees earned
Bal.	4,928	3,200	850	10,000	1,530	17,448	
b.	-1,055				-1,055		
Bal.	3,873	3,200	850	10,000	475	17,448	
c.	+3,700					+3,700	Investment
Bal.	7,573	3,200	850	10,000	475	21,148	
d.	-1,200					-1,200	Rent expense
Bal.	6,373	3,200	850	10,000	475	19,948	
e.		+2,025				+2,025	Fees earned
Bal.	6,373	5,225	850	10,000	475	21,973	
f.			+245		+245		
Bal.	6,373	5,225	1,095	10,000	720	21,973	

g.	<u>+3,000</u>	<u>-3,000</u>				
Bal.	9,373	2,225	1,095	10,000	720	21,973
h.					<u>+1,635</u>	<u>-1,635</u> Paralegal exp.
Bal.	9,373	2,225	1,095	10,000	2,355	20,388
i.	-1,500					- 850 Wages exp.
						- 250 Answ. Svc. exp.
						- 325 Utilities exp
						<u>- 75</u> Misc. exp.
Bal.	7,873	2,225	1,095	10,000	2,355	18,838
j.			<u>- 115</u>			<u>- 115</u> Supplies exp.
Bal.	7,873	2,225	980	10,000	2,355	18,733
k.	<u>-1,000</u>					<u>-1,000</u> Withdrawal
	<u>6,873</u>	<u>2,225</u>	<u>980</u>	<u>10,000</u>	<u>2,355</u>	<u>17,723</u>

Cecil Jameson, Attorney-at-Law

Income Statement

For the Month Ended July 31, 20-

Fees earned	\$ 5,953.00
Operating expenses:	
Paralegal expense	\$ 1,635.00
Rent expense	1,200.00
Wages expense	850.00
Utilities expense	325.00
Answering service expense	250.00
Supplies expense	115.00
Miscellaneous expenses	<u>75.00</u>
Total operating expenses	<u>4,450.00</u>
Net income	<u>\$ 1,503.00</u>

Cecil Jameson, Attorney-at-Law

Statement of Owner's Equity

For the Month Ended July 31, 20-

Cecil Jameson, capital, July 1, 20-	\$ 13,529.00
Additional investment by owner	\$ 3,700.00
Net income for the month	<u>1,503.00</u>
	\$ 5,203.00
Less withdrawals	<u>1,000.00</u>