

【国际教育合作项目教辅系列丛书】

International Education Cooperation Programme, Learning Guide Series

【试用版】



《商务会计》 教辅材料

◆蒋培德 / 编



Learning Guide for Business Accounting



中国时代经济出版社
China Modern Economic Publishing House

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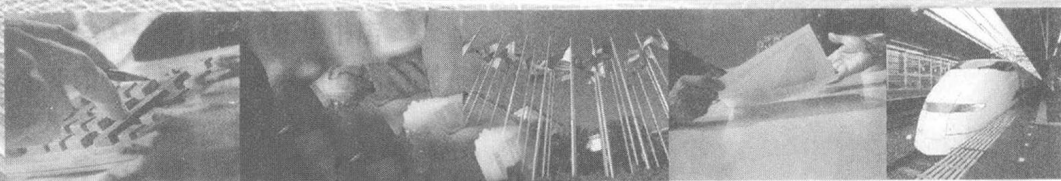
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“国际教育合作项目教辅系列丛书”总序

21 世纪已经走过了第一个 10 年。在这 10 年中，特别是在中国加入 WTO 以后，中国教育得到了蓬勃的发展，也更加开放。通过引入优质的国外教育资源，为学习其他国家先进的教育理念与教育模式架设了桥梁，同时为培养具备国际化视角的优秀人才创造了条件。在这样的背景下，中国留学服务中心在国际教育合作领域展开了积极地合作，并于 2003 年，与苏格兰学历管理委员会签订协议，将英国高等教育文凭（CSCSE - SQA HND）项目引进中国。该项目至今已运行 7 年，积累了丰富的项目管理经验，并取得了良好的社会效益。

根据多年国际教育合作项目的教学实践的需要，在各方共同努力之下，《国际教育合作项目教辅系列丛书》应运而生。一方面，丛书本着“以学生为中心”的教育理念，将专业理论与中国的实际情况相结合，采用实际案例与理论讲解相结合的方式，着重培养学生的英语语言水平、沟通技巧、策划协调能力与高技术应用等全方位素质，为学生今后出国留学更好地适应英语国家教育体系与理念打下坚实的基础。另一方面丛书覆盖了商务管理、金融服务、商务会计、市场营销、人力资源与计算机技术等多方面的专业内容，为现代国际教育合作项目的英语教学提供了内容广泛的优质辅助材料。

这套丛书的问世，离不开众多合作者的共同努力：多位有着丰富教学经验的优秀国内教师，将多年的心得与结晶浓缩到丛书的章节中；作为英国高等教育文凭项目教材引进、出版机构，并且荣膺“全国百佳图书出版单位”称号的中国时代经济出版社鼎力支持，为丛书的编辑与出版发挥了至关重要的作用；多所英国高等教育文凭项目院校也在丛书问世过程中出谋划策、添砖加瓦。可以说，正是以上各方坚持不懈的努力才使得这套丛书呈现在读者面前。

衷心希望籍着这套丛书能够为您的学习之路提供有益的指导。

中国留学服务中心

2010 年 7 月

PREFACE

This reference book is written based on the Unit Specifications of HND's *Business Accounting* and by integrating the demands of Chinese students who wish to comprehensively and systematically learn the business accounting. HND's requirements focus on that the students are able to understand the main financial statements such as Profit and Loss Account, Balance Sheet, Cash Flow Statement, budget and budgeting, break-even point, users and sources of financial information, for what purposes they need the financial information, short-term and long-term financing, and financial analysis, etc. The teaching practices have confirmed that it's difficult for the students to really understand those important accounting concepts without a solid and relatively comprehensive knowledge of business accounting. The purpose of this book is to try to provide the accounting knowledge as such to the students, and enhance the students' capability of understanding the accounting information as well as budgets by strengthening the capability training.

This book has three characteristics: one is that it has relatively comprehensive accounting knowledge which is easier for the students to know what an accounting information system is and how it works; the second is that it focuses on the main contents of accounting statements (particularly how to understand as well as how to analyze the statements), the budgets and budgeting, and the break-even point analysis, etc, based on HND's Unit Specifications; and the third is that every chapter has discussion questions, self-test questions, and exercises, and they have their reference answers on the appendix. The English of this book was tried to be in a short and concise manner.

The main reference books I used to write this book are US's Horngren & Harrison's *Accounting* and my own *Financial Accounting* published in 1995 by World Books Publishing Company. I also searched a lot through internet. Some ac-

counting books in our school's library were used for the writing as well.

During the process of the book writing, I got the strong and consistent support from Beijing YinHong International Education Consulting Co., Ltd.'s Mr. Li Yu, and from China Modern Economic Publishing House's Mr. Zhang Zhaofu. Thank you, Mr. Li and Mr. Zhang.

Xianda College of Economic & Humanities Shanghai International Studies University

Peter JIANG

April, 2010

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1 Accounting and Business Organizations

Chapter 1

THE BASIC STRUCTURE OF ACCOUNTING

A general partnership is owned by two or more people, the partners. A general

income tax. It is reported on the owner's personal income tax.

partnership. On the upside a proprietorship's income is not subject to business debts. This is known as unlimited liability which is a major downfall in being a liability there for making the owner completely responsible for the proprietorship's need to be met to start up. Unlike a corporation a proprietorship has unlimited Owned by one person, a proprietor, a proprietorship has no legal requirements that a "2" corporation.

partnership, a limited liability company, a corporation, and There are six legal forms of a business entity: a proprietorship, a general reporting that gives a complete picture of a business.

analysis, and tax reporting. A good accountant will create a system of financial satisfy the needs of the business—managerial, financial reporting, protection, accountant can design a system that will capture all of the details necessary to Although accounting follows the same principles and rules as bookkeeping, an use the work done by bookkeepers to produce and analyze financial reports.

organized manner, and they may or may not see the overall picture. Accountants Bookkeepers tend to focus on the details, recording transactions in an efficient and ledgers, bank statements, and paperwork pertaining to real estate and investments. state of the company. Records handled by a bookkeeper include payroll, company keep the ledgers of the company balanced so that anyone can assess the financial money paid out, and assets that the business holds. The bookkeeper's goal is to of all of the funds that a business handles, including money paid to the business, prospects. At the root of all accounting is bookkeeping. A bookkeeper keeps tracks

allowing the analysis of business trends, and providing insight into the future of all business transactions. An accounting system can be a complete record and analyzes business transactions. Accounting is the system that records, measures, summarizes, reports,

1 Accounting and Business Organizations

Accounting is the system that records, measures, processes, summarizes, reports, and analyses business transactions. An accounting system can be a complete record of all the activities of a business, providing details of every aspect of the business, allowing the analysis of business trends, and providing insight into future prospects. At the root of all accounting is bookkeeping. A bookkeeper keeps tracks of all of the funds that a business handles, including money paid to the business, money paid out, and assets that the business holds. The bookkeeper's goal is to keep the ledgers of the company balanced so that anyone can assess the financial state of the company. Records handled by a bookkeeper include payroll, company ledgers, bank statements, and paperwork pertaining to real estate and investments. Bookkeepers tend to focus on the details, recording transactions in an efficient and organized manner, and they may or may not see the overall picture. Accountants use the work done by bookkeepers to produce and analyze financial reports. Although accounting follows the same principles and rules as bookkeeping, an accountant can design a system that will capture all of the details necessary to satisfy the needs of the business—managerial, financial reporting, projection, analysis, and tax reporting. A good accountant will create a system of financial reporting that gives a complete picture of a business.

There are six legal forms of a business entity: a proprietorship, a general partnership, a limited partnership, a limited liability company, a corporation, and a “S” corporation.

Owned by one person, a proprietor, a proprietorship has no legal requirements that need to be met to start up. Unlike a corporation a proprietorship has unlimited liability there for making the owner completely responsible for the proprietorship's debts. This is known as unlimited liability which is a major downfall in being a proprietorship. On the upside a proprietorship's income is not subject to business income tax. It is reported on the owner's personal income tax.

A general partnership is owned by two or more people, the partners. A general

partnership is very similar to a proprietorship: there is no legal requirement to start up a general partnership; instead, the only thing required is that an oral or written agreement is made between all of its partners to run the business together. Also unlimited liability applies to all its partners making them responsible for the partnership's debts and its income is reported on each partner's individual income tax. With a limited partnership, each of the general partners has unlimited liability for the debts of the partnership, but the limited partner's exposure to the debts of the partnership is limited to the contribution each has made to the partnership. With certain minor exceptions, the reporting for tax purposes is the same as for a general partnership.

A limited liability company provides limited liability for all of its members, but typically can be treated as a partnership for income tax purposes. Laws may differ as to whether it is treated as a partnership or a corporation for income tax purposes in different countries or in different states of US. It can be managed by all of the members or can have centralized management in one or more of the members.

A corporation conducts business with the rights and responsibilities of a legal person. It separates from its owners. Because of this separate legal status, a corporation's owners are called stockholders and are not liable for corporate debts. Therefore a corporation's debts are limited liabilities. However, corporations are subject to double taxation which means that both the corporation's income is taxed and the income given to its owners through dividends is taxed as part of the owner's individual income.

"S" corporation is a corporation that has made an election to be an "S" Corporation for income tax purposes is treated as a partnership for tax purposes, although it is treated as a regular corporation for other purposes.

2 Users of Financial Information

Board of Directors: It needs the financial information to make the important decisions for the company, and to evaluate the management's performance.

Investors and Potential Investors: They need the information to help them determine whether they should buy, hold or sell their shares. They are also interested in the information which enables them to assess the ability of the enterprise to pay dividends.

Lenders: They are interested in the information that enables them to determine whether their loans, and the interest attaching to them, will be paid when due.

Suppliers and other trade creditors: They are interested in the information that enables them to judge whether the amounts the customer owing to them would be paid or not when due. They need to make a decision of further granting the customer a credit term of purchasing something on account, and how long the on account is, or just cash deal.

The management: They are required by the shareholders to prepare and present the financial statements of the enterprise. Management needs the financial information to decide the budgeting, to evaluate the performance of the enterprise, and the performance of the individuals of the enterprise as well. Management has the ability to determine the form and content of such additional information in order to meet its own needs.

Employees: They are interested in information about the stability and profitability of their employers. They are also interested in information which enables them to assess the ability of the enterprise to provide remuneration, retirement benefits and employment opportunities.

Customers: They have an interest in information about the continuance of the enterprise, especially when they have a long-term involvement with, or are dependent on, the enterprise.

Government: It is interested in the allocation of resources and, therefore, the activities of enterprises. It requires accounting information in order to regulate the activities of enterprises, and to determine the enterprises' taxable income as well.

Competitors: They will be interested in all areas of the business such as stability, pricing policy and performance. This information may allow them to get a "lead" in the market. Fundamentally competitors will use the information contained within the accounts in order to compare performance.

Analysts: To assess the performance of the company, identify trends and make comparisons with other Company's analysts will use all areas of information from the accounts. The actual purpose of the financial information will depend on the brief received from the client or the focus of the report.

3 Accounting Standards (Generally Accepted Accounting Principles)

Financial accounting information must be assembled and reported objectively. Third-parties who must rely on such information have a right to be assured that the accounting information is free from bias and inconsistency, whether deliberate or not. For this reason, financial accounting relies on certain standards or guides that are called Accounting Standards or "Generally Accepted Accounting Principles" (GAAP).

The basic objectives of GAAP are: (1) useful to present as well as potential investors, creditors, and the other users in making rational investment, credit, and other financial decisions; (2) helpful to present as well as potential investors, creditors, and the other users in assessing the amounts, timing, and uncertainty of prospective cash receipts; and (3) about economic resources, the claims to those resources, and the changes in them.

To achieve basic objectives and implement fundamental qualities GAAP has four basic assumptions, four basic principles, and four basic constraints:

Four basic assumptions:

Business Entity: assumes that the business is separate from its owners or other businesses. Revenues and expenses should be kept separate from personal expenses.

Going Concern: assumes that the business will be in operation indefinitely. This validates the methods of asset capitalization, depreciation, and amortization. Only when liquidation is certain this assumption is not applicable.

Monetary Unit principle: assumes a stable currency is going to be the unit of record.

Time-period principle: implies that the economic activities of an enterprise can be

divided into artificial time periods.

Four basic principles:

Cost principle: requires companies to account and report based on acquisition costs rather than fair market value for most assets and liabilities.

Revenue principle: requires companies to record when revenue is (1) realized or realizable and (2) earned, not when cash is received.

Matching principle: Expenses have to be matched with revenues as long as it is reasonable to do so. Expenses are recognized not when the work is performed, or when a product is produced, but when the work or the product actually makes its contribution to revenue. Only if no connection with revenue can be established, may cost be charged as expenses to the current period (e.g. office salaries and other administrative expenses).

Disclosure principle: Information disclosed should be enough to make a judgment while keeping costs reasonable. Information is presented in the main body of financial statements, in the notes or as supplementary inform.

And four basic constraints:

Objectivity principle: the financial statements provided by the accountants should base on objective evidence.

Materiality principle: the significance of an item should be considered when it is reported. An item is considered significant when it would affect the decision of a reasonable individual.

Consistency principle: the company uses the same accounting principles and methods from year to year. Any change of accounting principles or methods should be disclosed.

Prudent principle: when choosing between two solutions, the one that will be least likely to overstate assets and income should be picked.

4 The Accounting Profession

Positions in the field of accounting are divided into two general classifications: public accounting and private accounting. Public accountants are those who serve

the general public and collect professional fees for their work which includes auditing, income tax planning and preparation, and management consulting. The public accountants who have met certain professional requirements are designated as Chartered Accountant (CA) or Certified Public Accountants (CPAs). Private accountants work for a single business, such as a supermarket, a hotel, a factory, etc. In a company, the head who is in charge of financing and accounting is usually called as CFO (Chief Financial Officer) who directly reports to the president of the company. Under CFO there are a couple of directors who are in charge of accounting, financing, taxation, budgeting, and reporting respectively. Their titles may be controller, treasurer, taxation specialist, etc.

5 The Accounting Equation

From the large, multi-national corporation down to the corner beauty salon, every business transaction will have an effect on a company's financial position. The financial position of a company is measured by the following items:

- (1) Assets (what it owns)
- (2) Liabilities (what it owes to others)
- (3) Owner's Equity (the difference between assets and liabilities, or net assets)

The **accounting equation** offers us a simple way to understand how these three amounts relate to each other. The accounting equation for a sole proprietorship is:

$$\text{Assets} = \text{Liabilities} + \text{Owner's (or Stockholders') Equity}$$

Assets are a company's resources—things the company owns. Examples of assets include cash, accounts receivable, inventory, prepaid insurance, investments, land, buildings, equipment, and goodwill. From the accounting equation, we see that the amount of assets must equal the combined amount of liabilities plus owner's (or stockholders') equity.

Liabilities (debts) are a company's obligations—amounts the company owes. Examples of liabilities include notes or loans payable, accounts payable, salaries