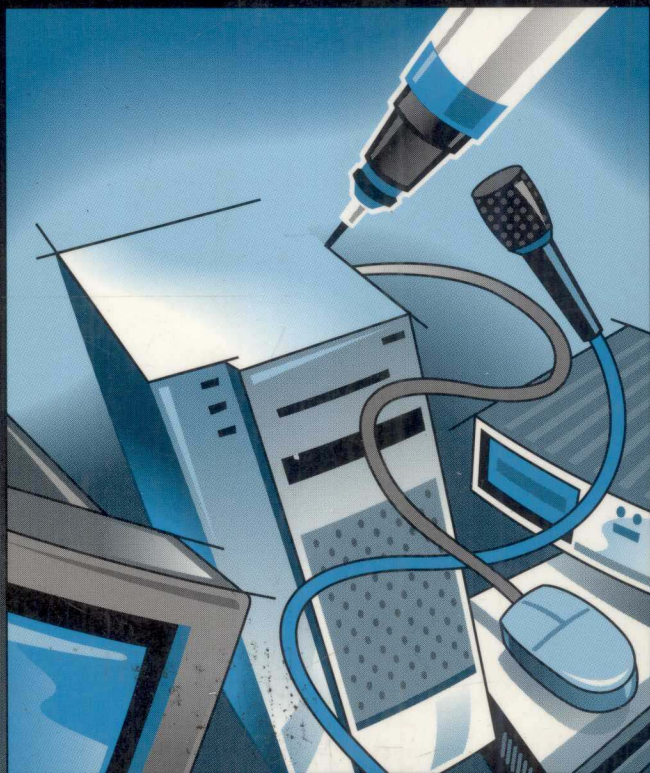


# Effective Writing

A HANDBOOK  
FOR ACCOUNTANTS

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*Fourth Edition*



CLAIRE MAY • GORDON S. MAY

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# **Effective Writing**

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## **A Handbook for Accountants**

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**Fourth Edition**

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# Preface

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*Effective Writing: A Handbook for Accountants*, fourth edition, is designed to help accounting students and practitioners improve their communication skills. It can be used as a supplementary text for regular accounting courses, as a text in an accounting communication course, or as a text in a business communication or technical writing course when these courses include accounting students. The handbook is also a useful desk reference or self-study manual for accounting professionals.

*Effective Writing* guides the writer through all the stages of the writing process: planning, including analysis of audience and purpose; generating and organizing ideas; writing the draft; revising for readable style and correct grammar; and designing the document for effective presentation. In addition to these basic writing principles, the book includes chapters on letters, memos, reports, and other formats used by accountants in actual practice. Throughout the text, *Effective Writing* stresses coherence, conciseness, and clarity as the most important qualities of the writing done by professional accountants.

Also included in the fourth edition are two chapters on oral presentations. Chapter 14 discusses preparation of the presentation, including audience analysis and organization of materials; Chapter 15 covers techniques of effective delivery.

We have added a new section to the fourth edition on "Writing and Your Career." In this section you will find a chapter on writing for professional examinations (including the CPA and CMA exams), a chapter on writing résumés and letters of application, and a chapter on writing for publication.

This new fourth edition also includes an expanded discussion on accounting research and use of technical standards as part of the chapter on research papers, and an expanded chapter on document design, including the use of graphic illustrations.

Exercises and assignments throughout *Effective Writing* reinforce the concepts covered in the text. Some exercises have answers within the text for independent review. The *Instructor's Manual* contains answers to other exercises. Most chapters include topics for writing or speaking assignments. The assignments, like the illustrations in the text, are concerned with accounting concepts and situations and thus will seem rele-



vant and interesting to those studying and practicing accounting. Communication topics are keyed to the accounting courses for which they might be most suitable as class assignments.

*Effective Writing* can be used in conjunction with traditional accounting courses. Instructors can assign cases and topics for research based on the accounting concepts being studied in class, or they can use the assignments provided in this handbook. Students then analyze the accounting problem, research the literature if necessary, and prepare answers according to an assigned format such as a letter, technical memo, formal report, or oral presentation. The handbook guides students toward principles of effective writing and speaking. Instructors can then evaluate students' performance based on the criteria discussed in the text and the *Instructor's Manual*.

The *Instructor's Manual* contains suggestions for everyone wishing to improve the communication skills of accounting students, whether in a regular accounting course or in a course devoted to communication. The *Manual* includes topics such as motivating students to improve their communication skills, designing assignments, and evaluating performance. The *Manual* also contains chapter commentaries and masters for transparencies and handouts.

As a self-study manual, *Effective Writing* will help accounting professionals master the techniques of successful writing in the business world. The book contains numerous examples and practical applications of the techniques discussed. In addition, some chapters have self-test exercises, with answers, which enable readers to practice the principles. A thoughtful review of *Effective Writing*, then, will give practicing accountants greater confidence in the writing situations that they encounter as part of their professional responsibilities.

The handbook covers the writing and speaking problems most frequently encountered by accounting students and practitioners, as demonstrated by extensive classroom testing and research into the communication needs of the profession. It is our hope that this book will help both those preparing to enter the profession and those already in practice to achieve greater success through effective communication.

**Claire May**

**Gordon S. May**

# **Effective Writing**

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# 1

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## Accountants as Communicators

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Most accountants are concerned about the need for effective writing skills. Multinational accounting firms offer special courses to help their accountants write better. Various accounting organizations—the American Institute of Certified Public Accountants (AICPA) and state societies, for example—offer continuing education courses in writing. Many colleges and universities now stress effective writing in accounting coursework.<sup>1</sup> And the AICPA now evaluates candidates' writing skills as one component of the CPA exam.

Why all this interest in writing? To be truly competent, accountants must be able to use words effectively.

The managing partners of the nation's largest public accounting firms have issued a paper that stresses the importance of communication skills to the practice of accounting:

Public accounting requires its practitioners to be able to transfer and receive information with ease. Practitioners must be able to present and defend their views through formal and informal, written and oral, presentation. They must be able to do so at a peer level with business executives. . . . Practitioners must be able to listen effectively to gain information and understand opposing points of view. They also will need the ability to locate, obtain and organize information from both human and electronic sources.<sup>2</sup>

The American Accounting Association's Committee to Prepare a Statement of Basic Accounting Theory also identified the importance of communication in the practice of accounting: "Communication is a vital link in accounting activity. It is of no less importance than that of developing the information itself."<sup>3</sup>

The ability to communicate effectively, whether through speaking or writing, is essential to success in the accounting profession.

Unfortunately, some students and accountants lack the skills they need to be effective communicators. Several years ago *The Wall Street Journal* reported that one-third of the accounting firms surveyed were dissatisfied with the communication skills of entry-level accountants.<sup>4</sup> In another study to determine why entry-level accountants lose their jobs, a high percentage of firms reported poor writing skills as a major reason for job termination.<sup>5</sup>

Because the ability to communicate effectively plays an important part in an accountant's success on the job, many employers screen prospective accountants for skills in oral and written communication. In fact, one study has shown communication skills to be the most important factor in decisions to hire new accountants. Employers view the ability to write and speak effectively as even more important than a prospective employee's grade point average.<sup>6</sup>

Accountants need good communication skills to get a good job and to keep that job after they're hired. Of course, "communication skills" is a broad area. It includes formal and informal oral presentations, interpersonal communication, reading and listening, and many other skills. Because this book is primarily about writing, let's look further at some of the kinds of documents accountants write on the job.

## **WHAT DO ACCOUNTANTS WRITE?**

No matter what kind of practice accountants have, writing is an essential part of the job. Whether in public accounting, management accounting, not-for-profit accounting, or government accounting, and whether specializing in tax, auditing, systems, or some other area, accountants write every day.

Examples in three areas—tax, auditing, and systems—suggest a few of the many occasions that require accountants to write. A tax accountant in a CPA firm often writes memos to other members of the firm that describe the results of his or her research. These memos become part of the clients' files. Then the accountant may write a letter advising the client about the best way to handle the tax problem. Tax accountants must also write letters to the Internal Revenue Service on behalf of clients.

Auditors write memos to be filed with the audit working papers describing the work done on an audit. Auditors may also write memos to their colleagues to request advice or to report research results. After the audit engagement, auditors often write advisory letters to management. The purpose of these letters is to suggest ways to improve accounting and internal control procedures.

Systems specialists write documents for readers with varying degrees of computer expertise. They might write a primer to explain how to use a software package or they might write a highly technical report on a complex accounting system application.

No matter what their specialty, all accountants write memos to their supervisors, subordinates, and coworkers to request or provide information. They also write letters to clients, agencies, and a variety of other readers.

Reports, both formal and informal, are also important ways accountants communicate. For instance, an accountant working for a corporation may write a report for management on alternative accounting treatments for a particular kind of business transaction.

To be effective, letters, memos, and reports must be well written. How will clients react if, after reading a letter from their CPA, they are still confused about their income tax problem? How will management feel about a report that is poorly organized and hard to follow?

Yet another kind of writing prepared by accountants is the narrative portion of a financial statement. Footnote disclosures, for instance, communicate information that users may need to interpret the statements accurately. Here is an example of a footnote disclosure in AT&T's 1993 annual report:<sup>7</sup>

#### RESEARCH AND DEVELOPMENT

We expense research and development expenditures as incurred (including development costs of software that we plan to sell) until technological feasibility is established. After that time, we capitalize the remaining software production costs as other assets and amortize them to product costs over the estimated period of sales.

This footnote is fairly easy to understand. Unfortunately, the meaning of some footnote disclosures is not always clear to many financial statement readers. Arthur Adelberg and Richard Lewis, in an article in the *Journal of Accountancy*, note the need for more clearly written footnotes. They suggest that accountants use shorter sentences, active verbs, and definitions of technical terms when writing footnotes and other narrative portions of financial statements.<sup>8\*</sup>

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## HOW WELL DO ACCOUNTANTS WRITE?

The answer to this question—how well accountants write—has already been suggested by the study reporting the large numbers of entry-level accountants who lose their jobs because of poor writing skills. Some employers believe the problem is getting worse. One study suggests that almost half of all practitioners in large CPA firms believe that writing skills of their newly hired staff have declined.<sup>9</sup>

A letter to *The Wall Street Journal* points out the high costs to employers when accounting employees lack adequate writing skills, including the costs of quality control measures to correct faulty writing. In addition, “The expense of hiring and training those who are subsequently fired for [poor writing ability] must surely represent a tremendous waste of resources.”<sup>10</sup>

## WHAT MAKES WRITING WORK?

What is good writing for accountants? The list of tips for writers in Figure 1-1 summarizes many qualities of effective business writing, including writing by accountants. These qualities are stressed throughout this book; they are also very similar to the criteria the AICPA uses to evaluate writing skills on the CPA exam. Let’s examine these tips in a little more detail.

The first tip concerns the *content* of the document. You must know what you are talking about and the information you give should be accurate and relevant. In fact, your writing should be suitable for the readers in a number of ways: It should be written on a level they understand and find meaningful and it should anticipate and answer their questions. *Writing appropriately for your readers* is the second tip for effective writing.

The third tip is *conciseness*. Say what needs to be said in as few words as possible. To keep your writing concise, avoid digressions, unnecessary repetition, and wordiness.

*Clarity* is the next tip. Write as simply as possible, using words and phrases with which the reader is familiar. To improve the clarity of your writing, choose words that mean precisely what you intend so that your sentences convey only one meaning; the meaning you want to convey. Well-structured sentences also contribute to clear writing.

*Coherence* is the logical, orderly relationship of ideas. Coherent writing is, quite simply, writing that is well organized. The flow of thought is easy to follow and important ideas stand out. To write coherently, you must carefully think through the ideas you wish to convey. The ideas must be arranged logically and then written in a way readers can comprehend. Coherence is the fifth tip for effective writers.

The final tip is to *revise* your writing so that it is polished and professional. Documents should look attractive and be free of grammatical and mechanical errors.

**FIGURE 1-1** *Tips for the Effective Writer.*

1. **Content:** Be sure that the accounting content is correct and complete. Have you addressed all relevant accounting issues?
2. **Appropriateness for Readers:** Write the document with a particular reader in mind. Check that issues are discussed on a level the reader can understand. For most documents, it's better to focus on practical, explicit information and advice related to the case you are discussing, rather than general accounting theory.
3. **Conciseness:** Write as concisely as possible, given the reader's needs and the issues to be addressed.
4. **Clarity:** Develop a style that is clear and readable. Choose words that convey your meaning with precision and clarity.
5. **Coherence:** Structure the document so that it is coherent. The organization should be logical and the train of thought easy to follow. Summarize main ideas near the beginning of the document and begin each paragraph with a topic sentence.
6. **Revision:** Revise the document so that it is polished and professional. It should be free of all spelling errors and typos; grammatical errors should not detract from the message.

## **YOU CAN BECOME A GOOD WRITER**

With all this talk about the importance of good writing to a successful career in accounting, you may feel overwhelmed or discouraged. Many people believe they can never become good writers.

A word of encouragement is in order. Virtually anyone who succeeds in college work has the education and the ability to become at least an adequate writer, and probably even a good one. Problems with writing are often the result of two factors, both of which can be corrected: lack of adequate training in writing skills and lack of self-confidence.

Let's address the latter problem, the poor image some people have of themselves as writers.

One reason to be optimistic about your writing ability is that you've already learned quite a bit about how to write from English courses and other writing classes, as well as from your own experience. Most people are better writers than they realize. They have the potential to become even more effective after they've mastered a few strate-