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# 经济环境下的财务会计

## FINANCIAL ACCOUNTING IN AN ECONOMIC CONTEXT

(THIRD EDITION)

JAMIE PRATT



### 世界财经与管理教材大系



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## 出版者的话

但凡成事，均缘于势。得势则事成，失势则事不顺。顺势而行，如顺水行舟；借势而动，如假梯登高；造势而为，如太空揽月。治学、从政、经商、置业，均不可一日失势。势者，长处、趋势也。

今日中国，是开放的中国；当今世界，是开放的世界。改革开放，大势所趋，势不可挡。经济开放、文化开放、政治开放，世界需要一个开放的中国，中国更要融入开放的世界。借鉴国际惯例，学习他人之长，已经到了不可不为之时。

借鉴国际惯例，学习他人之长，已属老生常谈，但学什么、如何学、以何为蓝本为众多志士仁人所关注。可喜的是，由赤诚图文信息有限公司精心策划，ITP、McGraw-Hill及Simon & Schuster等国际出版公司特别授权，东北财经大学出版社荣誉出版的“世界财经与管理教材大系”现已隆重面世！她以“紧扣三个面向，精选五大系列，奉献百部名著，造就亿万英才”的博大胸襟和恢弘气势，囊括经济学、管理学、财务与会计学、市场营销学、商务与法律等财经、管理类主干学科，并根据大学教育、研究生教育、工商管理硕士（MBA）和经理人员培训项目（ETP）等不同层次的需要，相应遴选了具有针对性的教材，可谓体系完整，蔚为大观。所选图书多为哈佛、斯坦福、麻省理工、伦敦商学院、埃维商学院等世界一流名校的顶尖教授、权威学者的经典之作，在西方发达国家备受推崇，被广为采用，经久不衰，大有“洛阳纸贵”之势。

借鉴国际惯例，毕竟只是因势而动；推出国粹精品，才是造势而为。在借鉴与学习的同时，更重要的是弘扬民族精神，创建民族文化。“民族的，才是国际的”。我们提倡学他人之长，但更希望立自己之势。

势缘何物，势乃人为。识人、用人、育人、成人，乃人本之真谛。育人才、成能人，则可造大势。育人、成人之根本在教育，教育之要件在教材，教材之基础在出版。换言之，人本之基础在书本。

凡事均需讲效益，所谓成事，亦即有效。高效可造宏基，无效难以为继，此乃事物发展之规律。基于此，我们崇尚出好书、出人才、出效益！

东北财经大学出版社

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## P R E F A C E

From the very first edition published in 1989, this text has personified the concepts, perspectives, and recommendations of the Accounting Education Change Commission (AECC). Largely for this reason, the first and second editions have become an important part of the curricula at a large and impressive group of forward-thinking schools. The third edition is even better. It builds upon the strengths of previous editions while introducing new ideas and perspectives that better communicate its economic decision-making theme. Many texts claim to reflect the philosophy of the AECC, but only this one has done so for three editions. *Financial Accounting in an Economic Context* has truly played a pioneering role in the evolution of accounting education throughout the world.

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### THE APPROACH REMAINS THE SAME

The first two editions took a decision-making perspective and balanced the coverage of three important themes: economic factors, measurement issues, and mechanics. The third edition maintains and improves upon this approach.

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## ECONOMIC FACTORS

Financial accounting is meaningless without an understanding of the economic environment in which it exists. Each chapter in the third edition, therefore, includes frequent references to actual events and companies; quotes from well-known business publications and corporate annual reports; information about industry practices, debt covenants, compensation arrangements, and debt and equity markets; and in-depth discussions of legal liability, ethical issues, and management's incentives and influence on financial reports. The annual report of MCI, which is the subject of short case questions at the end of each chapter, is also provided at the end of the text. Further, ratio analysis and international issues are introduced early and integrated throughout the text, and the coverage still reflects a strong user orientation with a distinct "quality and persistence of earnings" flavor. The important role of the economic environment in this text makes it more than simply a study of financial accounting. It is a study of modern business management as seen through the financial accounting process.

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## MEASUREMENT ISSUES

Students, as future managers and users, must understand the measurement issues underlying the financial statements before they can interpret and meaningfully use them. The third edition devotes considerable attention to the conceptual and theoretical foundation of financial accounting measurement, with special emphasis on how the financial statements provide useful measures of solvency and earning power. Cash and accrual statements are treated as equally important, with the statement of cash flows being covered from the very beginning. Chapter 4 provides a framework for accounting measurement that is used throughout the remainder of the text.

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## MECHANICS

Using financial statements without understanding the underlying mechanics is like trying to interpret a foreign language without knowing the vocabulary. Consequently, the third edition provides a strong mechanical foundation and stresses mechanics early and throughout the text. Journal entries and T-accounts play an important role, but they are never treated as a goal. Rather, they are characterized as an efficient way to communicate how economic events are reflected on the financial statements. A special coding is used throughout the text to link the form of each entry to the basic accounting equation and financial statements. Thorough mechanical coverage is especially important in a text that takes a user orientation, because effective users must be able to infer transactions from the financial statements. This mechanical skill, referred to as *reverse T-account analysis*, is covered several times in the text, and many exercises and problems are designed to test it.

---

## DECISION-MAKING PERSPECTIVE

This text presents financial accounting in a way that helps managers make decisions—a decision-making perspective. At a fundamental level, managers make two kinds of decisions: attracting capital and investing capital. Simply put, managers must attract capital from debt and equity investors and then invest it in operations,

producing assets, and investment securities. As depicted in Figure P-1, these two kinds of decisions can be matched with the three themes discussed above (mechanics, measurement issues, and economic factors) to produce six basic questions that must be answered by managers who use financial accounting information when making decisions.

FIGURE P-1

*A decision-making perspective*

Management Decisions	
	Attract Capital      Invest Capital
<b>Mechanics</b>	<b>1</b> How do these transactions affect the financial statements? <b>4</b> How are financial ratios computed and how can transactions be inferred from the financial statements?
<b>Measurement Theory</b>	<b>2</b> How do these financial statement effects influence outside perceptions of the company's earning power and solvency? <b>5</b> How do the financial statements and ratios indicate a firm's solvency and earning power?
<b>Economics</b>	<b>3</b> How do these financial statement effects influence decisions of outsiders as well as debt and compensation contracts? <b>6</b> What action should be taken (invest, extend credit, adjust loan terms)?

In their effort to attract capital, managers must address three questions when considering whether to enter into certain transactions: How do the transactions affect the financial statements? (cell 1) How do these financial statement effects influence outside perceptions of the company's earning power and solvency? (cell 2) and How do these financial statement effects influence the decisions of outsiders as well as debt and compensation contracts? (cell 3) These questions must be answered if management is to understand the economic consequences of the transactions under consideration.

In their effort to invest capital, managers must address three different questions: How are financial ratios computed and how can transactions be inferred from the financial statements? (cell 4) How do the financial statements and ratios indicate a firm's solvency and earning power? (cell 5) and What action should be taken (e.g., invest, extend credit, adjust loan terms)? (cell 6) These questions must be answered if management is to understand how to use financial accounting information properly.

The decision-making perspective simply means that all six questions are addressed in this text. These are the areas where management decision-making intersects with

financial accounting information or, in other words, this is what managers need to know about financial accounting. It is this perspective that makes *Financial Accounting in an Economic Context* different from all other texts.

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## **CHANGING THE WAY STUDENTS LEARN: NEW TO THIS EDITION**

The changes to this edition were guided by an impressive and creative group of instructors at over thirty business schools. Overwhelmingly and not surprisingly, these instructors confirmed the approach but also offered excellent insight regarding the topic coverage and end-of-chapter materials that would aid them in teaching the first course in accounting. In response, not only was the text restructured but new problems, exercises, cases, and other features were created to support a stronger decision-making perspective.

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## **TEXT REORGANIZATION: EMPHASIS ON DECISION MAKING AND FLEXIBILITY**

No consensus exists as to the proper ordering of topics for the first course in financial accounting. The reorganization, therefore, is designed to bolster the decision-making perspective and allow instructors to implement it in a way that matches their preferences, teaching styles, and views.

**Using Financial Information.** Both using financial statement information (Chapter 15 in the previous edition) and the appendix covering analyzing financial statements (Appendix C in the previous edition) now make up Chapter 3. This change more efficiently covers this material and establishes a strong decision-making perspective early in the text.

**Measurement.** Measurement fundamentals of financial accounting (Chapter 5 in the previous edition) are now covered in Chapter 4, and the appendix covering the time value of money (Appendix A in the previous edition) is now Appendix 4A. This change brings together present value concepts and the chapter on measurement fundamentals, where present value is first used. It also ensures that students understand present value, an important management decision-making concept, early in the course.

**Mechanics.** The mechanics of financial accounting (Chapters 3 and 4 in the previous edition) is now covered in Chapter 5. Detailed coverage of the accounting cycle is included as Appendix 5A. The material is covered more efficiently, and the instructor can now more easily choose whether to cover the accounting cycle. A section covering reverse T-account analysis, an important user skill, has also been added as Appendix 5B.

**Accruals and Cash Flows.** Converting accruals to cash flows (Appendix 4A in the previous edition) is now Appendix A at the end of the text. This change allows instructors to cover this material, which includes the indirect method of presenting the statement of cash flows, at any time during the course.

**Flexible Modules.** Chapters 3 (Using Financial Statement Information), 4 (The Measurement Fundamentals of Financial Accounting), and 5 (The Mechanics of Financial Accounting) have been written so that they can be covered in any order. This modular structure adds an important dimension of flexibility to the text.

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## **INNOVATIVE PEDAGOGY AND SUPPORTING END-OF-CHAPTER MATERIALS**

**Reverse T-account Analysis.** New to this edition is a user-oriented, analytical skill called reverse T-account analysis. It is first covered in Appendix 5B, but it is also discussed and illustrated in Appendix A at the end of the text and Chapter 14. This material shows students how to derive transactions from the financial statements by analyzing changes in the balance sheet T-accounts. Much of the end-of-chapter material is devoted to developing this skill, enabling students to become more astute users of financial statements.

**Ratio Analysis.** As indicated above, Chapter 3 is now a stand-alone chapter covering ratio analysis and the use of financial information. This puts the decision-making perspective of the text right up front, and as in the previous edition, ratios are integrated throughout the text starting with Chapter 1.

**Ethics Vignettes.** Each chapter closes with a short business scenario that introduces an ethical issue related to the material covered in the chapter. Several questions follow each scenario designed to encourage meaningful discussion between students and instructors. While this coverage does not resolve major ethical dilemmas, it works in conjunction with the ethical discussion already in the text to highlight ethical accounting issues that must be faced by managers. These vignettes also address our social responsibility to encourage ethical behavior in students—helping them to recognize and respond to ethical questions raised in future business situations.

**Spreadsheet Exercise.** Appendix B at the end of the text contains a case that requires students to build a financial accounting simulation model using a spreadsheet program. The case includes ten cumulative exercises that can be assigned at different time periods throughout the course. The students are first shown how to program a simple model that links environmental factors, management decisions, and accounting choices to financial statements projected over a two-year period. They are then asked to use the model to answer a few simple “what if” questions. Subsequent exercises require students to add different features to the program, using the enhanced model to assess the effects of various economic factors, management decisions, and accounting methods on future earnings and cash flows. Gradually, the exercises increase the realism and usefulness of the model, and by the tenth exercise the students have built a reasonably complete simulation program. This exercise has been successfully class-tested in a number of different settings and represents an excellent way to meaningfully integrate the computer into a financial accounting course. It provides a modern, creative, and useful way to drill students on the mechanics of the financial accounting process.

**“Quality of Earnings” Cases.** Placed after Chapters 8 and 14 are quality of earnings cases that require students to analyze a complete set of financial statements and footnotes. In each case management has used its discretion in a variety of ways to “slant” the reports, and the students must discover how it was done and how the reported



dollar amounts should be adjusted to better represent the company's financial performance and condition. These cases have been class-tested in many settings and provide an excellent vehicle for covering the use of financial information in a way that involves more than simply computing financial ratios. Not only must the ratios be calculated, but they must be interpreted in terms of how they relate to each other as well as to the footnotes.

**End-of-Chapter Materials.** The end-of-chapter materials (questions, exercises, problems, and cases) in the third edition differ from the second in three ways: (1) many have been revised to more closely reflect the decision-making perspective, (2) the quantity has been increased, especially the exercises and cases, and (3) a much larger number of exercises and problems require the student to perform reverse T-account analysis.

**Reduced Length.** The length of the overall text has been reduced considerably, tightening the organization and streamlining the presentation. The repetition and much of the technical bookkeeping detail was eliminated by restructuring certain chapters and appendices. The total number of chapters is now fourteen, instead of fifteen.

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## SECOND EDITION FEATURES RETAINED

### INTERNATIONAL COVERAGE

In the first edition, international issues were covered in a separate chapter. In the second edition, international issues were incorporated into all chapters of the text, consistent with my belief that they are not independent but should be integrated into all areas of financial accounting. The third edition updated these end-of-chapter discussions of timely, relevant, and important international issues. These sections encourage students to think more broadly about global business issues and how they relate to accounting.

### REAL-WORLD FEATURES

The economic perspective followed in this text requires that the material be up to date and reflect important contemporary economic issues. Several text features were meaningfully designed for this purpose. The third edition contains updated journal references to these issues.

### INDUSTRY DATA

Many of the chapters contain tables that compare accounting practices and show students the importance of accounting numbers and ratios across different industries and well-known companies. Updated in the third edition, these tables illustrate that the financial accounting issues faced by retailers, manufacturers, service enterprises, and financial institutions are quite different. A brief explanation of the operations of companies in different industries and how these operations give rise to different financial accounting concerns follows each table.

### EXCERPTS FROM BUSINESS PUBLICATIONS AND PROFESSIONAL JOURNALS

Over 10,000 references from various business publications (*The Wall Street Journal*, *Forbes*, and other professional and academic journals) are integrated throughout the text. Updated to reflect the most recent developments, these references document and

clarify important chapter concepts and introduce students to information sources that will be useful to them in their business careers.

#### **MCI COMMUNICATIONS, INC., ANNUAL REPORT**

The 1994 annual report of MCI Communications, Inc., appears in Appendix C at the end of the text. In addition to being referenced periodically throughout the text, each chapter contains an end-of-chapter case that requires students to relate the report to accounting issues covered in the chapter.

#### **COMPANY INDEX**

An index of actual companies has been provided to facilitate referencing specific companies. Over 900 references, current and data-based, are made throughout the text to real companies. These references help students tie in accounting concepts with readily recognizable companies.

#### **END-OF-CHAPTER MATERIALS**

**Learning Objectives and Chapter Summaries.** Each chapter is preceded by a list of learning objectives designed to highlight the important issues in the chapter. In the third edition, learning objectives are highlighted in the margins next to the relevant chapter discussions. The chapter summary restates the learning objectives and includes a summary answer of each, providing both a concise statement of the basic issues addressed by each objective and an efficient summary of the chapter material.

**Key Terms and Glossary.** An important objective of this course is to establish an understanding of the relevant terminology. The important terms in each chapter are printed in bold-face type when they are first defined in the text. A list of these terms appears at the end of each chapter, and a glossary of key terms is provided in the back of the text.

**Questions, Exercises, Problems, and Cases.** The review material at the end of each chapter is comprehensive and complete. An average of twenty-five questions, which follow the order of topics covered in the text to provide a systematic review of the chapter material, are provided at the end of each chapter.

Chapters typically contain fifteen to twenty exercises and fifteen to twenty problems. The exercises are relatively simple and require fewer and less complicated computations than do the problems. Each chapter is also followed by at least five cases. As mentioned earlier, Chapters 8 and 14 are followed by a set of comprehensive review cases designed to prepare students for mid-terms and finals.

---

## **SUPPLEMENTS**

#### **STUDENT LEARNING AIDS—PRINTWARE**

**Study Guide.** Prepared by Joseph H. Anthony, Michigan State University, and Robin Clement, Tulane University. Designed to have a conceptual flavor that complements the text, this invaluable study aid includes for each chapter: (1) a review of key concepts and (2) a set of practice questions and exercises to enhance learning. This approach highlights important concepts and relations introduced in the text.

**STUDENT LEARNING AIDS—MULTIMEDIA**

**Financial Accounting Simulation Analysis.** Developed by Jamie Pratt and Mike Groomer to be used on either Lotus 1-2-3 or Excel, this flexible simulation provides the students with the ultimate form of role playing. Step-by-step instructions allow the student to build a set of financial statements and assess the effects of a variety of managerial, operating, investing, financing, and reporting decisions on these statements and related financial ratios over a three-year period. The decisions include (1) issuing stock and long-term debt under various terms, (2) purchasing and selling marketable securities, inventory, land, and equipment at various prices, (3) selling goods at various prices, (4) declaring cash and stock dividends, (5) employing different collection and payment strategies, and (6) choosing from among different methods of accounting for uncollectibles, inventory, depreciation, and amortizing debt premiums and discounts. This unique simulation will bring to life the economic consequences of financial accounting.

**Rama: Introduction to the Accounting Cycle (A Computer-Aided Instruction).** This self-directed tutorial gives students additional instruction on the intricacies of the accounting cycle.

**SUPPLEMENTS FOR THE INSTRUCTOR—PRINTWARE**

**Instructor's Manual.** Prepared by Donald Loster, University of California-Santa Barbara. This instructor's resource includes suggested syllabi for courses for various lengths and approaches. New to this edition is an AECC chart which correlates selected end-of-chapter materials to a skill development recommended by the AECC. Each chapter includes a synopsis that highlights general chapter topics; chapter learning objectives; a list of key terms; a text/lecture outline that summarizes the chapter in detail; lecture tips for areas in which students commonly have difficulty; an annotated bibliography relevant to chapter topics; answers to chapter questions; and an assignment classification table on relating chapter learning objectives for each exercise and problem. The manual also contains a checklist of key figures.

**Test Bank.** Prepared by Steven Reimer, University of Iowa. Because many of you want a microcomputer version, the Third Edition will include an expanded Test Bank in both printed and microcomputer versions. More than 1,700 questions are categorized by learning objectives and by question orientation (i.e., whether the questions test procedures, measurement concepts, or economic concepts). In the Third Edition, AECC-oriented questions are highlighted throughout the Test Bank.

**Solutions Manual.** Developed by Parveen Gupta, Lehigh University. This supplement provides complete solutions to all exercises, problems, and cases in the text.

**Solutions Transparencies.** This package includes 250 acetates that illustrate the solutions to all exercises, problems, and cases in the text.

**SUPPLEMENTS FOR THE INSTRUCTOR—MULTIMEDIA AIDS**

**PowerPoint Presentation Slides.** Developed by Glenn Owen, University of California-Santa Barbara. Over 250 lecture slides were prepared exclusively for this

text using MicroSoft PowerPoint version 3.0. The major concepts of each chapter are highlighted and supported where appropriate by spreadsheet examples. The instructor may print out transparencies from the diskette for use on overhead projectors as well.

**MicroExam 4.** MicroExam is a microcomputer test-generation package that consists of test banks on disks and the software necessary to create instructor-customized examinations as well as instructor-created test questions. MicroExam is compatible with IBM PC and other compatible computers.

**Interactive CD-ROM Simulation.** Developed by Jamie Pratt, Krishnamoorthy Ramesh, and David Foster. Available in Spring 1997. The instructor can assign this set of three cases of progressive difficulty throughout the course. The student simulates the decision-making process of a lender by analyzing industry data, available financial records, and other information provided. Based upon the analysis, the student then recommends whether or not to lend to the requesting company and can print out their recommendations for grading purposes. Instructors are provided with security codes to control the solutions, as desired. Unlike any product on the market, this technology allows the student to immediately apply financial accounting information in a real world context.

#### ACCOMPANIMENTS TO THE TEXT

**Writing, Ethics, and Group Projects for Financial Accounting.** Prepared by Bruce Stuart and Iris Stuart, Concordia College. This casebook is designed to accompany the introductory accounting course. Each chapter, topically oriented, provides ethics problems, writing assignments, and group exercises as well as preparer-oriented materials to illustrate distinctive features of business circumstances and professional standards that call for accounting judgments—both technical and moral. This is an excellent supplement for professors desiring a focus on the unique role that accountants play in the business world.

**Cases in Financial Accounting.** Prepared by John S. Hughes, Duke University. Ideally suited for the introductory-level course in financial accounting, undergraduate or MBA, this book contains 80 brief cases based on excerpts from annual reports of actual companies. Case requirements are both procedural and conceptual. Procedural requirements require working backwards from financial statements to analyses of transactions. Conceptual requirements involve analysis of the rationale and consequences of an accounting treatment.

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instructor/author discussions or simply browse our Internet site. To access:  
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*Jamie Pratt*

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