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财务与会计系列

会计理论 (第四版)

ACCOUNTING THEORY

A CONCEPTUAL AND INSTITUTIONAL APPROACH

(FOURTH EDITION)

HARRY I. WOLK,
MICHAEL G. TEARNEY



世界财经与管理教材大系



东北财经大学出版社

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Fourth Edition

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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！

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1998年4月

To Our Families

Barbara, Joel, and Josh
Barbara, Bryce, and Flint

PREFACE

As we stand at the brink of both a new century and a new millennium, extensive change has come to education in general and accounting education in particular. Much work, however, remains to be done in terms of developing content and direction of accounting programs. In a similar fashion, the development of accounting standards in both the United States and around the world is in need of improvement at the individual-nation level as well as harmonization at the multi-nation level. We believe that a solid understanding of accounting theory can play a very important role in terms of (1) helping to understand how accounting rules have developed, (2) bringing about improvement in the formulation of new standards, and (3) helping to integrate accounting standards on a regional if not a world-wide basis.

This book is intended for one-semester accounting theory courses at either the senior or graduate levels. It assumes that students are thoroughly grounded in intermediate accounting as well as (for Chapter 18) intercorporate equity investments. At the graduate level, the book is appropriate for courses in MBA programs with accounting concentrations and for MS programs in accounting. However, in light of the aforesaid new developments in accounting education, other possibilities exist. For example, at one of our two universities, many of the elements of accounting theory from the first half of the text will be introduced at the start of the intermediate accounting sequence. Individual chapters in the last half of the book will then supplement specific subject matter as it arises as the courses develop (a three-course series will be used covering what has previously been called intermediate and advanced accounting).

In the traditional accounting theory course, the first nine chapters which are concerned with the elements of accounting theory as well as material on the structure and development of accounting policy-formulating agencies will usually be assigned. Beyond this point, chapters can be taught in any order desired.

OBJECTIVES OF THE TEXT

Our basic objective is to clearly identify the elements of accounting theory in the first part of this text and then relate them to significant problem areas in accounting in the second part. Both parts bring in extensive coverage of the accounting literature. As the title indicates, we have attempted to integrate the theoretical and institutional aspects of accounting theory. The

reader should thus acquire an increased depth of understanding of the major problem areas of accounting and the related standards going well beyond a mere technical grasp of debits and credits.

FEATURES OF THE FOURTH EDITION

All chapters of the book have been updated where either new standards have been promulgated or new theoretical findings or insights have appeared in the accounting literature. Discussion of the conceptual framework in the United States has been expanded into a separate chapter (Chapter 7). The material on inflation accounting has been cut from two chapters to one chapter (Chapter 13) but the basic theoretical material is intact. International accounting (Chapter 19) contains much more extensive coverage than in previous editions.

This edition contains extensive new materials at the end of each chapter under cases, problems, and writing assignments. They relate to both accounting standards and theoretical issues and they should help to reinforce chapter content. In addition, we hope that this material can, at least partially, fill the writing void that is present in many accounting programs. There are also many new questions at the end of each chapter.

Additional readings, formerly at the end of each chapter now appear in the Instructor's Manual. The Instructor's Manual also contains answers to the questions appearing at the end of each chapter as well as solutions to cases and problems and suggestions for writing assignments. In addition, the Instructor's Manual also contains the author index.

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Over the years we have received many valuable reviews, critiques, and comments from reviewers of the current and previous editions of the book. From these reviewers of *Accounting Theory*, we would like to thank the following individuals:

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ABBREVIATIONS USED IN THIS TEXT

AAA	American Accounting Association
AcSEC	Accounting Standards Executive Committee
AICPA	American Institute of Certified Public Accountants
APB	Accounting Principles Board (When used with a number it refers to an Accounting Principles Board Opinion)
ARB	Accounting Research Bulletin issued by the Committee on Accounting Procedure
ARS	Accounting Research Study issued by the Accounting Principles Board
ASR	Accounting Series Release issued by the Securities and Exchange Commission
CAP	Committee on Accounting Procedure
EITF	Emerging Issues Task Force
EPS	Earnings Per Share
FAF	Financial Accounting Foundation
FASAC	Financial Accounting Standards Advisory Council
FASB	Financial Accounting Standards Board
FC	Full Costing
FEI	Financial Executives Institute
GAAP	Generally Accepted Accounting Principles
GASB	Government Accounting Standards Board
IASC	International Accounting Standards Committee
IFAC	International Federation of Accountants
NYSE	New York Stock Exchange
OPEB	Postretirement Benefits Other than Pensions
RRA	Reserve Recognition Accounting
SCFP	Statement of Changes in Financial Position
SE	Successful Efforts
SEC	Securities and Exchange Commission
SFAC	Statement of Financial Accounting Concepts issued by the Financial Accounting Standards Board
SFAS	Statement of Financial Accounting Standards issued by the Financial Standards Board
SOP	Statement of Position

CHAPTER

AN INTRODUCTION TO ACCOUNTING THEORY

Learning Objectives

After reading this chapter, you should be able to:

1. Understand the meaning of accounting theory and why it is an important topic.
2. Understand the relationship between accounting theory and policy making.
3. Understand what measurement is and its role in accounting.
4. Gain an insight into the principal valuation systems in accounting.

While accounting has not been called the “dismal science,” it is frequently viewed as a dry, cold, and highly analytical discipline with very precise answers that are either correct or incorrect. Nothing could be further from the truth. To take a simple example, assume that two enterprises that are otherwise similar are doing their inventory and cost of goods sold accounting differently. Firm A selects LIFO and Firm B selects FIFO, giving totally different but equally “correct” answers.

However, one might say that a choice among inventory methods is merely an “accounting construct”: the type of “games” that accountants play that are of interest to them but have nothing to do with the “real world.” Once again this would be totally incorrect. The LIFO versus FIFO argument has important income tax ramifications resulting—under LIFO—in a more rapid write-off of current inventory costs against revenues (assuming rising inventory prices), which generally means lower income taxes. Thus an

accounting construct has an important “social reality”: how much income tax is paid.¹

Income tax payments are not the only social reality that accounting numbers affect. Here are some other examples:

1. Income numbers can be instrumental in evaluating the performance of management, which can affect salaries and bonuses and even whether individual management members will maintain their jobs;
2. Income numbers and various balance sheet ratios can affect dividend payments and security prices;
3. Income numbers and balance sheet ratios can affect the firm's credit standing and therefore the cost of capital.

Since it is the case that accounting numbers have important social consequences, why is it the case that we cannot always measure “economic reality” accurately? Different perceptions exist of economic reality. For example, we may say—on the one hand—that the value of an asset may be equal to the amount paid for it in markets where the asset would ordinarily be acquired or—on the other hand—some may see an asset's value represented by the amount that the firm could acquire by selling the asset. These two values are not the same. The former value is called *replacement cost* or *entry value* and the latter is called *exit value*. Both values are discussed in the appendix to this chapter and, in more detail, in Chapter 13. Exit values are usually lower than entry values because the owning enterprise does not usually have the same access to buyers as firms that regularly sell the asset through ordinary channels. Hence, there is a valuation choice between exit and entry values. Suppose, however, that we take the position that both of these valuations have merit but they are not easy to measure because market quotations may not be available and users may not understand what these valuations mean. Hence, a third choice may arise: historical cost. While entry and exit values represent some form of economic reality, the unreliability of the measurements may lead some people to opt for historical cost on the grounds that users understand it better than the other two approaches and measurement of the historical cost number may be more reliable.

The question we have just been examining, the choice among accounting values including historical cost, falls within the realm of accounting theory. There are, however, other issues that arise in this example, both implicit and explicit:

1. For what purposes do users need the numbers (e.g., evaluating management's performance, evaluating various aspects of the firm's credit

¹For a brilliant discussion of accounting constructs and their relation to social reality, see Mattessich (1991).