



به نام خدا

# زبان تخصصی (1) حسابداری

**English For Accounting Students**

دکتر رامین رحیمی

دانشگاه فنی و حرفه‌ای استان گیلان

دانشکده صومعه سرا

## Section one

# The Need for Accounting

## What Is Accounting?

Accounting is often called ‘the language of business.’ However, this phrase probably understates the cases, because the need to understand accounting and its uses is important to all segments of society.

Accounting is a discipline which accumulates, reports, and interprets financial information about the activities of an organization in order that intelligent decisions can be made about and for the organization. Simply stated, accounting is concerned with communicating financial information. A more traditional definition of accounting is:

“Accounting is the art of recording, classifying, and summarizing in a significant manner and in terms of money, transactions and events which are, in part at least, of a financial character and interpreting the results thereof.”

The first part of this definition- recording, classifying, and summarizing describes the bookkeeping aspects of accounting. Although bookkeeping is one aspect of accounting, ‘interpreting the results’ is of far greater importance.

**The interpretation of financial information provides the basis for decision making. The decision-making aspect makes accounting an exciting discipline with national and international implications.**

**Accounting includes not only the maintenance of accounting records, but also the design of efficient accounting systems, the performance of audits, the development of forecasts, income tax work, and the interpretation of accounting information.**

**A person might become reasonably proficient bookkeeper in a few weeks or months; however to become a professional accountant requires several years of study and experience.**

### **The Purpose and Nature of Accounting**

**The underlying purpose of accounting is to provide financial information for decision making about an economic entity. The economic entity we concentrate upon is a business enterprise.**

**Business executives and managers need the financial information provided by an accounting system to help them plan and control the activities of the business. For example, management needs answers to such questions as the profitability of each department of the business, the adequacy of the company's cash position, and the trend of earning.**

**Many businesses also compile non financial information needed for decision making. An airline, for example, must have information about on time arrivals, repair schedules, and physical examinations of flight crews.**

**The use of computers makes possible the operation of a management information system (MIS) which provides decision makers with both financial and non financial information. The accounting system is most extensive and important component of a management information system because it is used by the entire business entity and by outsiders as well.**

**Financial information about a business is needed by many outsiders. These outsiders include owners, bankers, other creditors potential investors, labor unions, government agencies, and the public, because all these groups have supplied money to the business or have some other interest in the business that will be served by information about its financial position and operating results.**

**A labor union, for example, needs to be informed on a company's financial strength and profits before beginning negotiations for a new labor contract. Remember that every individual as well as every business must make economic decisions about the future. Therefore, everyone needs some understanding of accounting as a basis for making sound decisions.**

To emphasize our basic concept, the goal of the accounting system is to provide useful information to decision makers. Thus accounting is the connecting link between decision makers and business operations.

## **Accounting Profession**

With an appreciation of what accounting is, you can now begin to understand what an accountant does. The profession of accounting covers four major areas: (1) private accounting, (2) public accounting, (3) governmental accounting, and (4) teaching.

**Private accounting.** Simply stated, accountant in private accounting works with the accounting system of a specific entity, usually a business firm. The chief accounting officer of a business is usually called the controller, in recognition of the use of accounting data to control business operations.

The controller manages the work of the accounting staff. He or she is also a part of the top management team charged with the task of running the business setting its objectives, and seeing that these objectives are met. In a large business, accountant's work may be divided into such areas as financial accounting, internal auditing, tax accounting, cost accounting, forecasting, and management accounting.

**Public accounting.** The certified public accounting- usually referred to by the initials CPA- offers a variety of accounting services to the

public, in much the same way as a lawyer, an architect or a physician does. CPA firms vary in size from one person practices to large, international organizations with several thousand professional accountants. The CPA certificate is a license to practice granted by the state on the basis of an examination and evidence of practical experience.

The principal function of CPAs is auditing. Persons outside the business, such as bankers and investors attach great importance to the annual audit report by the CPA firm. Many CPA firms offer their clients a wide range management consulting services like studying the feasibility of installing a computer-based accounting system, of introducing a new product line, or of merging with another company.

**Governmental Accounting.** Government officials rely on accounting information to help them direct the affairs of their agencies just as do the executives of corporations. However, accounting for governmental activities requires a somewhat different approach because the objective of earning a profit is absent from government agencies. Every agency of government at every level must have accountants in order to carry out its responsibilities. Universities, hospitals, and other not-for-profit institutions also follow a pattern of accounting that is similar to governmental accounting.

**Teaching.** For some reason, almost any discussion regarding the role of the accounting excludes the teaching profession. Nevertheless, if it were not for the accounting professor, there would never be enough accountants to fulfill the needs of society for financial information. The teaching profession provides an opportunity to guide individuals toward a satisfying career.

## **Section two:**

### **Accounting and internal control**

**To be successful, a business must make decision that enable it to operate profitably and to stay solvent. A company that has sufficient cash to pay its debts promptly is said to be solvent.**

**In contrast, a company that finds itself unable to meet its obligations as they fall due is called insolvent. a company that become insolvent may be forced by its creditors to stop operations and end its existence.**

**How do business executives know whether a company is earning profits or incurring losses ? How do they know whether a company is solvent or the answer to both these questions in on word is accounting.**

**accounting is the process by which the profitability and solvency of a company can be measured.**

**accounting also provides information needed as a basis for making business decision that will enable management to guide the company on a profitable and solvent course. For specific examples for these decisions, consider the following questions.**

**What prices should the firm set on its products ? if production is increased , what effect will this have on the cost of each unit produced ?**



**will it be necessary to borrow from the bank? how much will costs increase if a pension plan is established for employees? It is more profitable to produce and sell produce A or produce B? shall a given part be manufactured or be bought from suppliers? Should an investment be made in new equipment ?**

**all these issues call for decisions that should depend, in part at least , upon accounting information. It might be reasonable to turn the question around and ask: what business decisions could be made intelligently without the use of accounting information?**

**example would be hard to find. We have already stressed that accounting is a means of measuring that results of business transactions and of communicating financial information.**

**In addition , the accounting system must provide the decision maker with productive information for making important business decisions in a changing environment.**

**The topic of internal control goes hand-in-hand with the study of accounting. we have stressed that business decisions of all types are based at least in part upon accounting information, management needs assurance that the accounting it receives is accurate and reliable. this assurance comes from the company's system of internal control.**

**A system of internal control consists of all the measures taken by an organization for the purpose of (1) protecting its resources against waste, fraud, and un efficiency; (2) ensuring accuracy and reliability in accounting and operating data; (3) securing compliance with company policies , and (4)**

**Evaluating the level of performance in all divisions of the company. in short , a system of internal control includes all of the measures designed to assure management that the entire business operators according to plan.**

**A basic principle of internal control of internal control is that no one person should handle all phases of a transaction from beginning to end .when business operations are so organized that two or more employees are required to participate in every transaction, the possibility of fraud is reduced and the work of one employee gives assurance of the accuracy of the work of another.**

**The principle reason for many business documents and accounting procedures is to achieve strong internal control. therefore, we shall discuss various internal control concepts and requirements throughout our study of accounting.**

### Section three:

## Scope of accounting

**Accounting is a broad subject. Do not confuse it with bookkeeping. arithmetic is a small part of the broad discipline of mathematics; book- keeping is a small part of the broad discipline of accounting. accountants design their systems after considering the type of information desired by managers and other users. Bookkeepers and computers then perform the more routine tasks of following detailed procedures established by accountants.**

**Managers, investors, and other interested groups usually want the answers to two important questions about an organization: how well did it do during a given period? And where does the organization stand on a given day? The accountant answer these questions with two major financial statements- an income statement and balance sheet. To obtain these statements, accountants analyze, record, quantify, accumulate, summarize, classify, report, and interpret the numerous events and their financial effects on the organization.**

**Accounting helps decision making by showing where and when money has been spend and commitments have been made by evaluating performance, and by indicating the financial implications of choosing one plan versus another. some type of accounting is an**

**essential ingredient to the smooth functioning of almost all organization, cultures, and economics.**