



高等教育“十三五”规划教材



高等教育“十三五”规划教材



会计英语

魏锦雯

羊海燕

主编



电子科技大学出版社

# 会计英语

魏锦雯 羊海燕 主编

## ACCOUNTING ENGLISH

电子科技大学出版社  
University of Electronic Science and Technology of China Press

书名：会计英语（后部分中英互译）

ISBN：978-7-5647-6411-1

作者：魏锦雯 杨海燕

出版社：电子科技大学出版社

定价：49.80元

# PREFACE

## 前 言

本书以现代会计理论的最新研究成果和国际会计准则为指导，以西方财务会计体系为基础，结合我国会计实践工作，将国内外财务会计教学内容相结合，综述了会计的含义、会计的产生与发展、会计信息的使用、会计职业与会计职业道德、管理会计与财务会计的差异等基本知识；从会计专业的角度，全面系统地阐述了会计核算的基本经济业务、基本方法、基本程序和基本技能；概括介绍了会计分析的方法及运用，并对会计的最新发展动态、会计准则的制定以及公认会计原则等基本知识做了简明扼要的介绍。

从内容上，本书系统介绍了会计学的基本知识，主要包括会计基本理论知识（会计的概念、原则，会计职业道德），会计实务知识（各类会计要素及其账户结构，会计等式，记账规则，复式记账原理，日记账、明细账以及总账），会计循环（记账、过账，试算平衡，期末对账、账项调整和结账）以及财务报告（资产负债表、利润表和现金流量表的编制与分析）。

从结构上，本书的章节课程设置包括学习目标、学习内容、会计专业常用参考词汇、课后练习、参考译文，最后附录部分为国际会计术语对照和会计英语专业词汇例解，便于自学和课堂教学使用。

本书旨在提高会计专业学生的专业素养以及会计专业英文阅读、沟通以及实际操作能力，借助英语学习促进会计专业知识学习，培养既懂专业又懂英语的国际化应用型人才。本书不仅可以作为高等院校财会类专业本科和经济管理类专业本科教学，也可作为在职会计人员和经济管理人士的自学参考书。

在编写本书的过程中，参考了很多国内外专家、学者与同行们大量的文献资料，在此对相关作者一并致谢。因作者水平所限，书中难免存在疏漏之处，恳请专家与同行批评指正。

编者

### Part I Basics of Accounting

#### Chapter 1 Introduction of Accounting .....3

Learning Objectives

1.1 Accounting .....4

1.2 Purpose of Accounting .....5

1.3 Accounting Profession and Accounting Ethics .....5

Key Words and Phrases .....6

Exercises .....7

### Part II Accounting Elements and Double Entry Bookkeeping

#### Chapter 2 Assets .....11

Learning Objectives

2.1 Types of Assets .....12

2.1.1 Current assets .....12

2.1.2 Long-term assets .....12

2.2 Depreciation of Fixed Assets .....13

Key Words and Phrases .....15

Exercises .....16

#### Chapter 3 Liabilities .....18

Learning Objectives

3.1 Current Liabilities .....19

3.1.1 Accounts payable .....19

3.1.2	Notes payable	19
3.1.3	Unearned revenue	20
3.1.4	Income taxes payable	21
3.1.5	Contingent liabilities	22
3.2	Long-term Liabilities	22
3.2.1	Bonds payable	23
	Key Words and Phrases	24
	Exercises	25

## **Chapter 4 The Owner's Equity Accounts** ..... 28

### Learning Objectives

4.1	Sole Proprietorship and Partnerships Accounting	29
4.1.1	Opening the accounts of a new partnership	29
4.1.2	Additional investments	30
4.1.3	Closing the accounts of a partnership at year-end	30
4.1.4	Income statement for a partnership	31
4.1.5	Statement of partners' equity	32
4.2	Owner's Equity of Corporations	32
4.2.1	Issuance of Shares	33
4.2.2	Retained Earnings	34
	Key Words and Phrases	36
	Exercises	36

## **Chapter 5 Revenue, Expense and Profit** ..... 39

### Learning Objectives

5.1	Revenue	40
5.1.1	Features of Revenue	40

5.1.2	The Classification of Revenue	40
5.2	Expense	41
5.2.1	Features of Expense	42
5.2.2	The Classification of Expense	42
5.3	Profit	43
	Key Words and Phrases	43
	Exercises	44

## **Chapter 6 Accounting Equation and Double-Entry System**.....45

### Learning Objectives

6.1	Accounting Element	46
6.2	Accounting Equation	47
6.3	Introduction to the Methods of Bookkeeping	49
6.3.1	Bookkeeping Methods	49
6.3.2	Single Entry Bookkeeping	49
6.3.3	Double Entry Bookkeeping	50
6.4	Debit-Credit Bookkeeping	51
6.4.1	The Origin and Evolution of Debit-Credit Bookkeeping	51
6.4.2	The Theoretical Foundation of Debit-Credit Bookkeeping	52
6.4.3	Main Contents of Debit-Credit Bookkeeping	53
6.5	Parallel Recording of General Ledger and Subsidiary Ledger	60
	Key Words and Phrases	63
	Exercises	65

## **Part III Accounting Cycle and Financial Statement**

### **Chapter 7 Accounting Cycle** .....71

#### Learning Objectives

7.1	Journalizing and Posting Transactions	72
7.1.1	The Journal	72
7.1.2	Journalizing	77
7.1.3	Posting	81
	Key Words and Phrases 1	83
	Exercises 1	84
7.2	Adjusting and Closing Procedures	93
7.2.1	Adjust Entries Covering Recorded Data	94
7.2.2	Adjusting Entries Covering Unrecorded Data	100
7.2.3	Closing Entries	101
7.2.4	Ruling Accounts	105
7.2.5	Post-Closing Trial Balance	105
	Key Words and Phrases 2	106
	Exercises 2	108
<b>Chapter 8 Financial Statements</b>		<b>112</b>
Learning Objectives		
8.1	Balance Sheet	113
8.2	Income Statement	115
8.3	Cash Flow Statement	118
8.4	Qualitative Characteristics of Financial Statements	120
	Key Words and Phrases	121
	Exercises	123
	参考译文	127
	附录 1 国际会计术语英汉对照	183
	附录 2 会计英语专业词汇例解	186
	参考文献	197

# **Part I**

# **Basics of Accounting**

# Chapter 1

## Introduction of Accounting

### Learning Objectives

**After reading and studying this chapter, you should be able to:**

1. Understand the definition of accounting.
2. Know who is the users of accounting information and why they find accounting information useful.
3. Realize the variety of professional services provided by the accountants.
4. Understand the ethics of accounting.

Accounting is the language of business and unless one has some understanding of it, otherwise business, investment, taxes and money management will be like a foreign language which is too difficult to understand.

Accounting is the process of identifying, measuring and communicating



economic information for an entity making economic management decisions and informed judgments.

So it is appropriate for people who are involved in the economic activities of our society-and that is just about everyone-to know at least enough of this language to be able to make decisions and informed judgments about those economic activities.

the users of accounting information include managers, investors, creditors, employees and government agencies. Decisions made by users relate to, among other things, entity operating results, investment and credit questions, employment characteristics, and compliance with laws. Accounting information supports these decisions because it reflecting important financial information about the entity.

Integrity, objectivity, independence and competence are several characteristics of ethical behavior required of a professional accountant. High standards of ethical conduct are appropriate for all people, but professional accountants have a special responsibility because many people make decisions and informed judgments using information provided by the accounting process.

You will be introduced to the definition, purpose, ethics of accounting and the accounting profession in this chapter.

## 1.1 Accounting

Accounting is an information system that classifies, records, measures, summarizes, interprets and reports the economic activities of a business with monetary unit as its main criterion.

Under this definition, three important points call for our attention:

- (1) Accounting involves such activities as classifying, recording, measuring, summarizing, interpreting, reporting and describing;
- (2) The object of accounting is economic activities of business;

(3) Monetary unit is the criterion.

Therefore, accounting is a systematic process of measuring the economic activities of a business to provide information about the financial position of a business. It is also a language that provides useful information for business decisions.

## 1.2 Purpose of Accounting

The purpose of accounting is to provide useful information to those who make economic decisions which often determine the success of a business. Who makes these decisions and informed judgments? Users of accounting information include the management of the entity or organization (who are frequently not involved in the management process); potential investors, creditors of the organization, employees, and various federal, state and local governmental agencies that are concerned with regulatory and tax matters. Accounting information must be provided for just about every kind of organization.

While an economic decision involves making the best allocation of resources available, among various alternatives the decision-maker has to consider a lot of factors. Take investment for example, the investment choice alone will depend on many factors, such as the specific alternatives available, current needs, long-term plans, other resources available, and the potential risks and rewards associated with the investment opportunity.

## 1.3 Accounting Profession and Accounting Ethics

One characteristic frequently associated with any profession is that those practicing the profession acknowledge the importance of an ethical code. This is especially important in the accounting profession because so much of an accountant's work involves providing information to support the informed

judgments and decisions made by users of accounting information.

Both codes of conduct identify integrity and objectivity as two key elements of ethical behavior for a professional accountant. Having integrity means being honest and forthright in dealings and communications with others; objectivity means impartiality and freedom from conflict of interest. An accountant who lacks integrity and objectivity cannot be relied on to produce complete and relevant information with which to make an informed judgment or decision.

Other elements of ethical behavior include independence, competence and acceptance of an obligation to serve the best interest of the employer, the client and the public. Independence is related to objectivity and is especially important to the auditor, who must be independent both in appearance and in fact. Having competence means having the knowledge and professional skills to adequately perform the work assigned. Accountants should recognize that the nature of their work requires an understanding of the obligation to serve those who will use the information communicated by them.

In the recent past years, there have been some highly publicized incidents involving allegations that accountants have violated their ethical codes by being dishonest, biased, and incompetent. The fact that some of these allegations have been proved true should not be used to condemn all accountants.

---

### Key words and phrases

- |                            |                 |
|----------------------------|-----------------|
| 1. investment <i>n.</i>    | 投资, 投入          |
| 2. appropriate <i>adj.</i> | 适当的; 合适的; 恰当的   |
| 3. economic <i>adj.</i>    | 经济的, 经济上的, 经济学的 |
| 4. classify <i>vt.</i>     | 分类, 分等; 把……列为密件 |
| 5. interpret <i>vt.</i>    | 说明, 口译, 解释, 翻译  |
| 6. monetary <i>adj.</i>    | 货币的, 财政的        |

7. criterion <i>n.</i>	(批评判断的) 标准, 准则, 规范, 准据
8. potential <i>n.</i>	潜能, 可能性 <i>adj.</i> 潜在的, 可能的
9. investor <i>n.</i>	投资者; 出资者
10. creditor <i>n.</i>	债权人, 贷方
11. regulatory <i>adj.</i>	管理的, 控制的, 调整的
12. allocation <i>n.</i>	分配, 配置, 安置
13. available <i>adj.</i>	有效的, 可得的, 可利用的, 空闲的
14. ethical <i>adj.</i>	伦理的, 道德的
15. integrity <i>n.</i>	完整, 正直, 诚实, 廉正
16. objectivity <i>n.</i>	客观, 客观性
17. impartiality <i>n.</i>	公正, 公平, 不偏不倚
18. relevant <i>adj.</i>	有关的, 中肯的, 有重大作用的
19. obligation <i>n.</i>	义务, 职责, 债务
20. competence <i>n.</i>	能力, 胜任, 权限
21. adequately <i>adv.</i>	充分地, 足够地, 适当地
22. publicize <i>vt.</i>	宣传, 公布
23. allegation <i>n.</i>	主张, 断言, 辩解
24. violate <i>vt.</i>	违反, 侵犯, 侵扰, 亵渎
25. dishonest <i>adj.</i>	不诚实的, 欺诈的
26. biased <i>adj.</i>	有偏见的, 结果偏倚的, 有偏差的
27. incompetent <i>adj.</i>	无能力的, 不胜任的, 不适当的
28. condemn <i>vt.</i>	谴责, 判刑, 定罪, 声讨
29. reaffirm <i>vt.</i>	再肯定, 重申, 再断言
30. endeavor <i>n.</i>	努力, 尽力

## Exercises

I. Answer the following questions.

1. Is the accounting department important in an entity?
2. Do you think that an accountant is a bookkeeper?
3. Specify the major groups of accounting information users.

II. Indicate whether each of the following statements is true or false.

1. Recording business transaction is one of the functional procedures of financial accounting. (     )
2. Accounting information is not relevant to the daily lives of common people. (     )
3. Preparing and distributing financial statements by management is a way of communicating business activities with decision-makers. (     )

III. Identify the items from the following list that can be categorized into external or internal information users.

- A. creditors     B. management     C. investors  
D. customers     E. suppliers     F. regulators  
G. lawyers     H. brokers     I. press

IV. Choose the proper word to fill in the blanks.

standard, criteria, code, ethics

1. Accountants are held to a high standard of \_\_\_\_\_ as they're responsible for verifying that the financial records of the company are both accurate and truthful.
2. The purpose of financial reports is to establish the \_\_\_\_\_ for making the right judgment.
3. Integrity means having a personal \_\_\_\_\_ of morality and ethics.
4. Accountants have to conform to the accounting \_\_\_\_\_ of ethics in handing the accounts.

## **Part II**

# **Accounting Elements and Double Entry Bookkeeping**

# Chapter 2

## Assets

### Learning Objectives

**After reading and studying this chapter, you should be able to:**

1. Understand the definition of assets.
2. Understand the categories of assets, current assets and long-term assets.
3. Compare and understand the methods of depreciation.

Assets refers to any item of economic value that is owned or controlled by an enterprise, especially that which could be converted to cash. Examples are cash, securities, accounts receivable, inventory, equipment, real estate and other property. For accounting treatment, assets are normally divided into current assets<sup>1</sup>, long-term assets<sup>2</sup>, fixed assets, intangibles assets<sup>3</sup>, deferred assets<sup>4</sup> and other assets. On the balance sheet, assets are equal to the sum of liabilities, common stock, preferred stock and retained earnings.

## 2.1 Types of Assets

Assets are normally divided into two major categories: current assets and long-term assets.

### 2.1.1 current assets

Current assets of a business include cash on hand, cash in bank, marketable securities, receivable, prepayments and inventory. On the balance sheet, cash is listed first among current assets, because it is the most negotiability and liquidity of all assets. Cash and all kinds of deposits shall be accounted for according to the actual amount of receipt and payment, and cash on hand, cash in bank and marketable securities shall be accounted for separately.

### 2.1.2 long-term assets

In contrast to current assets, long-term assets refer to those assets that are normally acquired by a business to be used over more than one year in the production of goods and services. Long-term assets are normally divided into tangible assets and intangible assets. Tangible assets include land, buildings, plant, and equipment while intangible assets include patents, trademarks, copyrights, franchises, etc.

Fixed assets, also called PPE, include property, plant and equipment. Things such as land, office buildings, factories, warehouses, machinery, furniture, tools are all typical fixed assets.

Long-term investment refers to the investment not intended to be realized within a year, including shares investment, bonds investment and other investments. Long-term investment shall be itemized and shown separately in financial statements.

An intangible asset can be defined as any identifiable non-monetary asset without physical substance which is owned or controlled by an enterprise. The



intangible asset does not possess physical substance and may be represented by a document, a design, etc, but the real value is that an enterprise can gain huge benefits from the rights and privileges an intangible asset grants to the enterprises. The most commonly seen intangible assets include patents, trademarks, copyrights, franchises and licenses, Internet domain names, construction permits, land utilization right, etc.

Deferred assets are the expenses that cannot be accounted into current profit or losses but should be periodically amortized in future years, including starting expenses, expenditures incurred in major repair and improvements of the rented in fixed assets, etc.

---

## Notes

1. current assets: 流动资产
2. long-term assets: 长期资产
3. intangible assets: 无形资产
4. deferred assets: 递延资产

## 2.2 Depreciation of Fixed Assets

All fixed assets are depreciable over their limited useful life except for fully depreciated fixed assets that are still in use and land that is separately valued and accounted. Land need not to be depreciated because it never loses its functional value through use and has an indefinite life.

Depreciation is defined as the accounting process of systematically allocating the depreciable amount of a fixed asset over its useful life by a selected depreciation method. When calculating the depreciation expense of a fixed asset, an enterprise should consider its depreciable amount, estimated net residual value, estimated useful life, and the depreciation methods.

Depreciable amount refers to the original cost of a fixed asset minus its estimated net residual value. Estimated net residual value is the estimated amount which an enterprise would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The so-called useful life refers to the period over which an asset is expected to be available for use by an enterprise or the number of units of production or service expected to be obtained from the asset by an enterprise.

The useful life and estimated net residual value of a fixed asset shall be determined reasonably and once determined they should not be changed arbitrarily. When determining the useful life and estimated net residual value an enterprise shall take the following factors into consideration:

- (1) the expected production capacity or physical output;
- (2) the expected physical and non-physical wear and tear;
- (3) any legal or similar limits on the use of the asset.

Many methods are used to allocate the cost of a fixed asset to accounting periods through depreciation, but each of them may only be suitable for a certain circumstance. Therefore, when selecting the depreciation method, an enterprise should consider the ways to realize the expected economic benefits of a fixed asset.

The four most commonly used depreciation methods are as following:

- (1) the straight-line method<sup>1</sup>
  - (2) the units of production method<sup>2</sup>
  - (3) the double declining balance method<sup>3</sup>
  - (4) the sum of the years digits method<sup>4</sup>
-

## Notes

1. the straight-line method: 年限平均法 (直线法)
2. the units of production method: 工作量法
3. the double declining balance method: 双倍余额递减法
4. the sum of the years digits method: 年数总和法

---

## Key words and phrases

- |                            |          |
|----------------------------|----------|
| 1. enterprise <i>n.</i>    | 企业       |
| 2. convert <i>v.</i>       | (使) 转换   |
| 3. security <i>n.</i>      | 有价证券     |
| 4. inventory <i>n.</i>     | 存货       |
| 5. real estate <i>n.</i>   | 房地产      |
| 6. accounting <i>n.</i>    | 会计学      |
| 7. receivable <i>n.</i>    | 应收款项     |
| 8. acquire <i>v.</i>       | 获得, 学到   |
| 9. franchise <i>n.</i>     | 特许经营权    |
| 10. statement <i>n.</i>    | 报表       |
| 11. depreciate <i>v.</i>   | 折旧       |
| 12. account <i>v.</i>      | 记账       |
| 13. indefinite <i>adj.</i> | 无期限的     |
| 14. allocate <i>v.</i>     | 分摊, 分配   |
| 15. residual <i>adj.</i>   | 剩余的, 残留的 |
| 16. disposal <i>n.</i>     | 处理, 处置   |
| 17. deduct <i>v.</i>       | 减去, 扣除   |
| 18. obtain <i>v.</i>       | 获得, 得到   |
| 19. determine <i>v.</i>    | 决定, 确定   |
| 20. circumstance <i>n.</i> | 情况       |
-

## Exercises

I. Fill in the blanks with the words below.

suitable    equipment    commonly    allocate    patents  
 tangible    categories    process    value    purchase

1. Land doesn't need to be depreciated because it never loses its functional \_\_\_\_\_ through use.
2. Depreciation is defined as the accounting \_\_\_\_\_ of systematically allocating the depreciable amount of a fixed asset over its useful life.
3. Many methods are used to \_\_\_\_\_ the cost of a fixed asset to accounting periods through depreciation.
4. Each of the depreciation methods may only be \_\_\_\_\_ for a certain circumstance.
5. The straight-line method is one of the four \_\_\_\_\_ used depreciation methods.
6. In accounting PPE stands for property, plant and \_\_\_\_\_.
7. According to Accounting Standards for Business Enterprises, fixed assets are \_\_\_\_\_ assets.
8. Fixed assets are mainly acquired by \_\_\_\_\_ and self-construction.
9. Long-term assets can be divided into two \_\_\_\_\_: fixed assets and intangible assets.
10. The most commonly seen intangible assets include \_\_\_\_\_, trademarks, copyrights, franchises and licenses, etc.

II. Multiple Choices.

1. Why doesn't land need to be depreciated? (    )
  - A. Because it is still in use.
  - B. Because it is separately valued.
  - C. Because it has an indefinite life.

D. Because it is fully depreciated.

2. When a business calculates the depreciation expenses of a fixed asset, they should consider its \_\_\_\_\_. ( )

A. Depreciable amount.

B. Estimated useful life.

C. Estimated net residual value.

D. All of the above.

3. How many methods are commonly used for the purpose of depreciation of a fixed asset? ( )

A. Three.    B. Four.    C. Five.    D. Six.

III. Define the following terms in this chapter, then translate them into Chinese.

1. Asset

2. Current assets

3. Long-term assets

4. Long-time investment

5. Intangible asset

6. Accounts receivable

7. Depreciation

8. Depreciable amount

IV. Calculate the depreciation expense.

Suppose that an enterprise purchased a machine at the beginning of 2012 which cost \$36,000. The net salvage value was estimated at \$2,000 and the expected useful life was 5 years. Please use the straight-line method to calculate the depreciation expense of year 2012, 2013, 2014, 2015 and 2016.

# Chapter 3

## Liabilities →

### Learning Objectives

After reading and studying this chapter, you should be able to:

1. Understand the definition of liabilities.
2. Understand the categories of liabilities, current liabilities and long-term liabilities.
3. Know how to deal with accounts payable and unearned revenue.
4. Compare and understand the accounts payable and notes payable.
5. Know the issuing and amortization of bonds payable discount.

Liabilities may be defined as the probable future sacrifice of economic benefit arising from present obligations of a particular entity to transfer assets or provide services to other entities in the future as a result of past transactions or events. A

liability is borne by an enterprise, measurable by money's worth, which will be paid to a creditor using assets, or services, which are generally classified into current liabilities and long-term liabilities.

### 3.1 Current Liabilities

Current Liabilities are obligations that must be paid within one year or within the operating cycle or longer. This means payment for goods and services is due at a date later than the date of sale. Current liabilities can be accounts payable, short-term notes payable, the current portion of long-term debt, accrued liabilities, unearned revenue and overdraft.

#### 3.1.1 Accounts payable<sup>1</sup>

Accounts payable often are divided into the categories of trade accounts payable and other accounts payable. Trade accounts payable are short-term obligations to suppliers for purchases or merchandise. Other accounts payable include liabilities for any goods and services other than merchandise.

#### Example 3.1

Simple Company buy goods for \$ 50, 000 on credit. The journal entry in Simple Company's accounting records for this transaction is:

D: Purchase           \$ 50,000

C: Accounts payable   \$ 50,000

Assets	=	Liabilities	+	equity	Rev.	-	Exp.	=	Net Inc.	Cash Flow	
50,000	=	50,000	+			-		=		50,000	OA

#### 3.1.2 Notes payable<sup>2</sup>

Notes payable are issued whenever bank loans are obtained. Notes payable usually required the borrower to pay an interest charge. Under normal conditions, the interest rate is stated separately from the principal amount of the note.

### Example 3.2

On March 1, Simple Company borrows \$ 40, 000 from its bank for a period of six months at an annual interest rate of 10%. Six months later on September 1, Simple Company will have to pay the bank the principal amount of \$ 40, 000 plus \$ 2, 000 interests. As an evidence of this loan, the bank requires Simple Company to issue a note payable. The journal entry in Simple Company's accounting records for this March 1 borrowing is:

D: Cash           \$40,000

C: Notes payable   \$40,000

Assets	=	Liabilities	+	equity	Rev.	-	Exp.	=	Net Inc.	Cash Flow	
40,000	=	40,000	+			-		=		40,000	FA

Borrowed \$ 40, 000 for six months at 10 % interest per year.

The liability for the interest accrues day by day over the life of the loan. On August 31, six months interest expense has been incurred, and the following adjusting entry is made:

D: Interest expense   \$ 2,000

C: Interest payable   \$ 2,000

Assets	=	Liabilities	+	equity	Rev.	-	Exp.	=	Net Inc.	Cash Flow	
	=	2,000	+	(2,000)		-	2,000	=	(2,000)		

The entry on September 1 to record payment of the note will be:

D: Notes payable   \$ 40,000

Interest expense   \$ 2,000

C: Cash               \$ 42,000

Assets	=	Liabilities	+	equity	Rev.	-	Exp.	=	Net Inc.	Cash Flow	
(42,000)	=	(40,000)	+	(2,000)		-	2,000	=	(2,000)	(42,000)	FA

To record payment of the 10%, six-month note on maturity date and to recognize interest expense incurred.

### 3.1.3 Unearned revenue<sup>3</sup>

A liability for unearned revenue arises when a customer pays in advance.



Upon receipt of an advance payment from a customer, the company debits Cash and credits a liability account such as Unearned Revenue.

Unearned revenue normally is “paid” by rendering services to the creditor, rather than by making cash payments.

### Example 3.3

Simple Company signed up a contract with another company to perform services. Simple Company received an advanced cash payment in the amount of \$ 20,000 and the term of the contract was one month. The transaction acts to increase assets (cash) and liabilities (unearned revenue). The journal entry in Simple Company’s accounting records for this transaction is:

D: Cash                   \$ 20,000

C: Unearned revenue   \$ 20,000

Assets	=	Liabilities	+	equity	Rev.	-	Exp.	=	Net Inc.	Cash Flow	
20,000	=	20,000	+			-		=		20,000	OA

At this time, Simple Company received cash but didn’t perform the services. So the cash of \$ 20, 000 was not the real revenue. Only when Simple Company performed the services, a new journal entry would be made:

D: Unearned revenue   \$ 20,000

C: Revenue                   \$ 20,000

Assets	=	Liabilities	+	equity	Rev.	-	Exp.	=	Net Inc.	Cash Flow	
	=	(20,000)	+	20,000	20,000	-		=	20,000		

#### 3.1.4 Income taxes payable<sup>4</sup>

The income taxes expense accrues as profits are earned. At the end of each accounting period, the amount of accrued income taxes is estimated and recorded in an adjusting entry, as shown below:

D: Income taxes expense   \$1,000

C: Income taxes payable   \$1,000

Assets	=	Liabilities	+	equity	Rev.	-	Exp.	=	Net Inc.	Cash Flow	
	=	1,000	+	(1,000)		-	1,000	=	(1,000)		

The account debited in the entry, Income Tax Expense, is an expense account that usually appears as the very last deduction in the income statement. The liability account, Income Taxes Payable, ordinarily will be paid within a few months and appears as a current liability section of the balance sheet.

### 3.1.5 Contingent liabilities<sup>5</sup>

A contingent liability may be regarded as a possible liability, which may develop into a full-fledged liability or may be eliminated entirely by a future event.

For example, when a business endorses a note and turns it over to a bank for cash the business is contingently liable to the bank. If the maker of the note pays on the maturity date, the contingent liability of the endorser is thereby ended. But if the maker defaults, the endorser must pay in his stead. In other cases, the period of the contingent liability ends at the maturity date of the note.

---

#### Notes

1. Accounts payable: 应付账款
2. Notes payable: 应付票据
3. Unearned revenue: 预收账款
4. Income taxes payable: 应付所得税
5. Contingent liabilities: 或有负债

## 3.2 Long-term Liabilities

Long-term liabilities are the obligations of an enterprise that is not due within one year or an operating cycle<sup>1</sup> (whichever is longer). The most common examples are bonds payable, long-term notes payable and mortgages payable. Because bonds are a common form of a long-term debt, they can be used to explain the key



### Example 3.5 Amortization of Bond Discount<sup>3</sup>

In this example, the discount on bonds payable has a beginning debit balance of \$50,000. Each year \$ 5,000 will be amortized into Bond Interest Expense each year.

Assuming that the interest payment dates are October 31 and April 30, the entries to be made each six months to record bond interest expense are:

1. Paid semi-annual interest on \$ 1,000,000 of 10%, 10-year bonds.

D: Bond interest expense      50,000

C: Cash      50,000

Assets	=	Lia.	+	equity	Rev.	-	Exp.	=	Net Inc.	Cash Flow
(50,000)	=		+	(50,000)		-	50,000	=	(50,000)	(50,000) FA

2. Amortized discount for six months on 10-year bond issue (\$ 50, 000 ÷ 20 = \$ 2,500).

D: Bond interest expense      2,500

C: Discount on Bonds Payable      2,500

Assets	=	Liabilities	+	equity	Rev.	-	Exp.	=	Net Inc.	Cash Flow
	=	2,500	+	(2,500)		-	2,500	=	(2,500)	

### Notes

1. Operating cycle: 经营周期
2. Bonds Issued at a Discount: 折扣发行债券
3. Amortization of Bond Discount: 债券折扣的分摊

### Key words and phrases

- |                               |       |
|-------------------------------|-------|
| 1. accrued wages              | 应付工资  |
| 2. current liability          | 短期负债  |
| 3. consumption tax payable    | 应交消费税 |
| 4. drawing expense in advance | 预提费用  |
| 5. dividends payable          | 应付股利  |

6. income tax payable	应交所得税
7. notes payable	应付票据
8. other payables	其他应付款
9. overdraft <i>n.</i>	透支
10. personal income tax payable	应交个人所得税
11. tax payable	应交税金
12. unearned revenue	预收账款
13. value added tax payable	应交增值税
14. accrued interest	应计利息
15. bonds payable	应付债券
16. contingent liability	或有负债
17. debentures, bonds <i>n.</i>	债券
18. discount on bonds	债券折价
19. default <i>n. &amp; vi.</i>	未履行责任
20. face value, par value	债券面值
21. long-term liabilities	长期负债
22. long-term loans	长期借款
23. long-term loans due within one year	1年内到期的长期借款
24. long-term loans due over one year	1年后到期的长期借款
25. premium on bonds	债券溢价
26. the maturity date	到期日

## Exercises

I. Tick the box next to the CURRENT LIABILITY accounts.

- |                      |      |
|----------------------|------|
| ( ) Short-term loans | 短期借款 |
| ( ) Long-term loans  | 长期借款 |
| ( ) Notes payable    | 应付票据 |

( ) Accounts payable	应付账款
( ) Accrued payroll	应付工资
( ) Taxed payable	应交税金
( ) Dividends payable	应付股利
( ) Cost of Production	生产成本
( ) Manufacturing expense	制造费用
( ) Advances form customers	预收货款
( ) Other payables	其他应付款
( ) Accrued expenses	预提费用
( ) Selling expenses	销售费用
( ) Administrative expenses	管理费用
( ) Staff and worker' bonus and welfare fund	职工奖励及福利基金

II. The accounts payable aging schedule is a useful tool for analyzing the makeup of your accounts payable balance. The following is a sample accounts payable aging schedule from Newpic Co. Ltd. Read the schedule and try to illustrate each column by translating the following passage.

#### Accounts Payable Aging Schedule

Newpic Co. Ltd.

December 31, 2016

Supplier's Name	Total Accts. Payable	Current	1-30 Days Past Due	31-60 Days Past Due	Over 60Days Past Due
A Company	2,300	2,300	—	—	—
B Company	5,130	2,950	2,180	—	—
C Company	8,718	6,000	518	2,200	—
D Company	980	500	480	—	—
Total	17,128	11,750	3,178	2,200	—

III. Given the following information, which of the following accounting transactions is true?

Gross payroll	\$ 20,000
Federal income tax withheld	\$ 4,000
Social security tax withheld	\$ 1,600

- A. \$ 1,600 is recorded as salary expense.
- B. \$ 14,400 is recorded as salary payable.
- C. The \$ 1,600 deducted for employee social security tax belongs to the company.
- D. Payroll is an example of an estimated liability.