

ویرایش IFRSS

# زبان تخصصی حسابداری

جلد اول

همراه با آموزش فن ترجمه ، به انضمام واژنامه

عبدالرضا تالانه



زبان تخصصی حسابداری (جلد اول)

عبدالرضا تالانه

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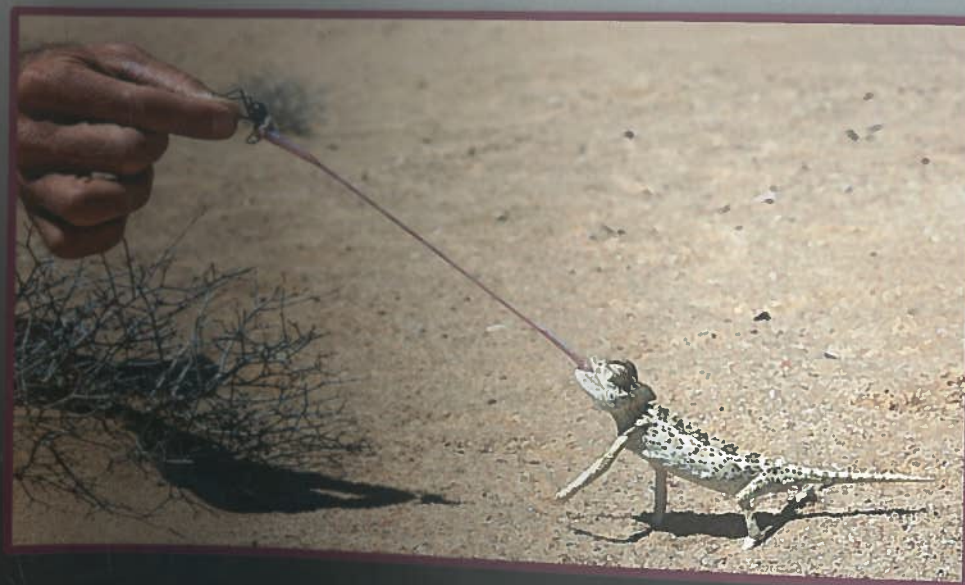
FOR THE STUDENTS OF

## ACCOUNTING

Volume 1

*Including Translation Techniques, Dictionary  
and Test Exams*

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### پیشنهاد به کاربران کتاب

جلد اول کتاب بر دروس مقدماتی حسابداری و جلد دوم بر دروس میانی و پیشرفته حسابداری متمرکز است. جلد اول برای درس زبان تخصصی ۱ و جلد دوم برای درس زبان تخصصی ۲ و آمادگی کنکور ارشد و کلاس‌های تحصیلات تکمیلی مناسب است. لیکن با توجه به محدودیت زمانی، تدریس همه دروس در طول یک ترم امکانپذیر نیست و از این رو به استادان محترم پیشنهاد می‌کنم با توجه به وقت کم، وجود کتاب راهنما، و سطح کلاس از هر درس فقط تعدادی از پاراگراف‌ها را در کلاس کار کنند و تعدادی را به عنوان تمرین به دانشجو بسپارند. کتاب راهنمای زبان تخصصی (برای جلد اول و دوم) می‌تواند به عنوان کتاب کمک درسی در تکمیل فرایند آموزش به دانشجویان محترم کمک نماید.

تسلط یافتن در زبان تخصصی به سه مهارت نیاز دارد: دانش حسابداری، ذخیره لغت، و فن ترجمه که از بین این سه، ذخیره لغت مهم‌تر است. لذا، به دانشجویان محترم پیشنهاد می‌کنم همراه با خواندن دروس، به تدریج به فراگرفتن افعال فهرست شده در انتهای کتاب (گروه اول و دوم افعال) پردازند و ذخیره لغت خود را با افعال گسترش دهند زیرا ذخیره کافی از لغت چیزی است که در مدت کم حاصل نمی‌شود.

در مرحله بعدی بهتر است دانشجو به تمرین کلمه‌سازی (که در انتهای هر درس داده شده) پردازد. با این روش بعد از مدت کوتاهی می‌توان کلمات هم خانواده افعال را تشخیص داده و با توجه به معنی فعل به معنی آن کلمه رسید. علاوه بر این، واژگان تخصصی حسابداری همراه با معنی فارسی آنها در انتهای کتاب فراهم است. اگر قدری در این واژگان دقت کنید در می‌یابید که اکثر آنها از افعال ساخته شده‌اند. بنابراین، فراگیری معانی آنها با تکیه بر معانی افعال کار دشواری نیست. به غیر از چند درس اول، سه نوع تمرین به درک مطلب و تمرین آخر به گسترش ذخیره لغت می‌پردازد.

معانی سایر لغات به کار رفته در کتاب در لیست دیگری در انتهای کتاب موجود است. فراگیری این لیست در ابتدای کار ضروری نیست، بلکه با جلو رفتن در درس‌ها خود به خود معانی این کلمات نیز برای کاربران روشن می‌گردد. پیشنهاد می‌کنم که کاربران از این لیست در پایان دوره برای آزمایش و کنترل کفایت ذخیره لغت خود استفاده نمایند.

برای تقویت مهارت سوم، فن ترجمه، روش خاصی موسوم به روش هنالات در ابتدای کتاب تشریح شده است. توصیه می‌شود در چند جلسه اول این روش تمرین شود تا ملکه ذهن گردد. روش ترجمه هنالات، همچنین، به فرایند گسترش ذخیره لغت سرعت می‌بخشد.

به کاربرانی که از این کتاب برای آمادگی در کنکور کارشناسی ارشد استفاده می‌کنند، مطالعه همه دروس و بویژه دروس و نکات تست زنی جلد دوم توصیه می‌شود. برای این کاربران تست‌های درک مطلب و دو مجموعه سئوالات نمونه کنکور که همراه با پاسخ در انتهای جلد دوم کتاب ارائه شده است، مفید خواهد بود. بخش‌های پایانی جلد دوم همچنین برای دانشجویان دکترای حسابداری می‌تواند مفید باشد.

### چگونه شروع کنیم

#### پیش از هر چیز

مطمئن باشید خیلی زود زبان تخصصی را فرا خواهید گرفت، به شرط آنکه دستورالعمل‌های بعدی را دقیقاً اجرا کنید.

تسلط یافتن به زبان تخصصی مستلزم داشتن سه پیش‌نیاز است: دانش نسبی حسابداری، ذخیره کافی از لغت (شامل فعل، کلمات برساخته از فعل، و سایر کلمات)، و دانستن فن ترجمه.

در مورد اول، باید به کتب فارسی دوره کارشناسی حسابداری رجوع کنید و دانش حسابداری را به کمک آنها فرا بگیرید. معمولاً دانشجوی متوسط حسابداری که در ترم سوم یا چهارم زبان تخصصی می‌گیرد، دانش قابل قبولی از مبانی اولیه حسابداری دارد، و در این مورد جای نگرانی نیست.

در مورد دوم، دانستن معنی فارسی حدود ۳۰۰ الی ۵۰۰ فعل، تعداد کافی از اصطلاحات متداول حسابداری و تعدادی از کلمات بی‌ریشه کافی است. معمولاً فرگیران در آموختن لغات عمومی (غیرتخصصی) دچار مشکل می‌شوند زیرا تعداد کلمات عمومی بسیار زیاد است. برای حل این مشکل توصیه می‌گردد هر چه سریع‌تر افعال انتهای کتاب را حفظ کنید. فراموش نکنید که دانستن افعال باعث گسترش ذخیره لغت شما می‌شود. هر چه ذخیره افعال گسترده‌تر شود، فرا گرفتن زبان تخصصی و زبان عمومی ساده‌تر می‌گردد. جالب است بدانید بسیاری از کلمات عمومی و تخصصی از افعال ساخته می‌شوند.

در مقابل، فراگیری اصطلاحات حسابداری ساده و سریع است. در هر صورت، به منظور ساده‌تر شدن کار فهرستی از افعال، لغات مترقی، و اصطلاحات حسابداری همراه با برابرای فارسی آنها در انتهای کتاب موجود است. اما توصیه می‌شود وقت خود را با اصطلاحات حسابداری و لغات مترقی تلف نکنید. ابتدا به فراگیری افعال پردازید.

## آیا می‌دانید؟

آیا می‌دانید هر جمله از دو رکن تشکیل می‌شود؟ این دو رکن یا به خانواده فعل تعلق دارند و یا به خانواده اسم. به شعر زیر، که از حافظ است، توجه نمایید.

شاعر از باد فزان در چمن دهر مرزنج  
فکر معقول بفرما گل بی‌فاز کجاست

کلمات مرزنج- بفرما- کجاست به خانواده فعل تعلق دارند.

کلمات یا عبارات شاعر- باد فزان- چمن دهر- فکر معقول- گل بی‌فاز به خانواده اسم تعلق دارند.

دو کلمه دیگر (از) و (در) جزو حروف اضافه هستند و به تنهایی معنی ندارند.

زبان انگلیسی نیز از این قاعده مستثنی نیست. یعنی هر جمله از گروه‌های فعل و گروه‌های اسم تشکیل می‌شود. به مثال زیر توجه نمایید:

Financial accounting is usually concerned with the periodic preparation of various reports from records.

در جمله بالا، عبارتی که بولد و مورب شده است به خانواده فعل تعلق دارد. عبارتی که زیر آنها خط کشیده شده است به خانواده اسم تعلق دارند که اولی و دومی گروه اسمی (پیش از یک کلمه) و سومی (records) تک اسم می‌باشد. دو کلمه دیگر (with و from) هم جزو حروف اضافه هستند که به تنهایی معنایی ندارند.

احتمالاً می‌پرسید صفت‌ها و قیدها کجا رفتند؟ قید اضافه فعل و صفت اضافه اسم است. آیا یک قید (usually) و سه صفت (financial-periodic-various) را در جمله می‌بینید؟ قید اضافه فعل، و صفت اضافه اسم است. بنابراین، اگر بتوانید دو رکن فعل و اسم را بخوبی بشناسید، دیگر مشکلی نخواهید داشت.

نکته دیگری که باید دقت کنید این است که اجزای یک گروه اسمی معمولاً از فعل ساخته می‌شوند. به همین دلیل است که می‌گوییم ابتدا به فعل پردازید و معانی افعال را حفظ کنید. در جمله بالا، همه اجزای دو گروه اسمی به غیر از periodic خودشان از فعل ساخته شده‌اند. توجه کنید:

فعل	finance	account	prepare	vary	report	record
ساخته شده از فعل	financial	accounting	preparation	various	reports	records

## چگونه ترجمه کنیم

برای تسلط یافتن بر فن ترجمه، مورد سوم، آموختن روش هناللات (HENALAT) و خواندن مطالب زیر بسیار مفید است. برای تسلط یافتن به فن ترجمه باید روش هناللات را در ذهن خود و روی کاغذ تمرین کنید. همچنین باید تعدادی از قواعد ساده در ترجمه را فرا بگیرید. اما پیش از این‌ها باید با ساختار جمله انگلیسی آشنا شوید.

## ساختار جملات انگلیسی

در متون تخصصی حسابداری بیشتر با سه نوع جمله روبرو می‌شویم: جمله ساده، جمله مرکب، و جمله پیچیده. ساختار هر کدام به شرح زیر است (از چپ به راست بخوانید):

جمله ساده: عبارت بعد از فعل + فعل اصلی + عبارت پیش از فعل

نکته: جمله ساده ممکن است یکی از دو عبارت پیش فعل یا پس فعل را نداشته باشد.

جمله مرکب: جمله ساده دوم + موصول + جمله ساده اول

نکته: هر جمله مرکب می‌تواند از چندین جمله ساده تشکیل شود.

جمله پیچیده: جمله ساده دوم + کاما + جمله ساده اول + کلمه خاص

نکته: در جملات پیچیده کلمه خاص به جمله اول نقش زمینه را می‌دهد. جمله اول را پیش‌خبر و جمله دوم را خبر می‌نامیم.

همان‌طور که ملاحظه می‌کنید انواع جملات از یک یا چند جمله ساده تشکیل می‌شوند. بنابراین کافی است نحوه ترجمه جمله ساده را فرا بگیرید، در آن صورت انواع جملات دیگر را نیز می‌توانید ترجمه کنید.

## روش ترجمه هناللات

برای ترجمه یک جمله ساده از روش هناللات استفاده می‌کنیم. طبق روش هناللات هر جمله ساده در دو گام ترجمه می‌شود:

۱. اول فعل جمله ترجمه می‌شود.

۲. سپس عبارت پیش از فعل و عبارت پس از فعل به آن اضافه می‌گردد.

در مرحله دوم فرقی نمی‌کند که با عبارت قبل از فعل شروع کنید، یا با عبارت بعد از فعل شروع کنید؛ انتخاب به عهده شما است.

به مثال زیر، که یک جمله ساده است، توجه کنید:

Cash is reported on the balance sheet.

طبق روش هنالات کافی است فعل را یافته و ترجمه کنیم. سپس می توان عبارات پیش فعل و پس فعل را با حروف (الف) و (ب) به آن اضافه کرد و قالب ترجمه را در آورد. این مثال به صورت زیر ترجمه می شود:

(الف) در (ب) گزارش می شود.

حالا اگر الف و ب را بیایم کار تمام است و معنای جمله کامل می شود.

وجه نقد (الف) در ترازنامه (ب) گزارش می شود (فعل).

به مثالی از یک جمله مرکب توجه کنید:

Revenue *is recorded* in the current period  
and expenses *are recorded* in the same period.

جمله بالا از دو جمله ساده تشکیل شده است. پس کافی است هر یک از دو جمله ساده را به روش هنالات ترجمه و سپس نتیجه را با هم ترکیب کنیم.

جمله ساده اول	(الف) در (ب) ثبت می گردد
جمله ساده دوم	و (ج) در (د) ثبت می شود.

در ترجمه بالا، فعل ها ترجمه شده و عبارات پیش فعل و پس فعل با حروف جای گذاری شده تا قالب ترجمه معلوم شود. اکنون کافی است تکلیف حروف را معلوم کنیم. ترجمه جمله به صورت زیر است:

جمله ساده اول	درآمد (الف) در دوره جاری (ب) ثبت می گردد (فعل اول)
جمله ساده دوم	و هزینه ها (ج) در همان دوره (د) ثبت می شوند (فعل دوم).

حالا به مثالی از جمله پیچیده توجه کنید:

After the effects of transactions *have been determined*,  
financial statements *are communicated* to users.

باز هم با روش هنالات ترجمه این جمله بسیار آسان می باشد. این جمله از دو جمله ساده تشکیل شده است. قالب ترجمه جمله پیچیده بالا به صورت زیر درست می شود:

جمله ساده اول	پس از آنکه (الف) معلوم شد.
جمله ساده دوم	(ب) به (ج) ابلاغ می گردد.

و اگر حروف قالب بالا را مشخص کنیم، ترجمه زیر حاصل می شود:

جمله ساده اول	پس از آنکه اثرات معاملات (الف) معلوم شد (فعل اول)،
جمله ساده دوم	صورت های مالی (ب) به استفاده کنندگان (ج) ابلاغ می گردد (فعل دوم).

### فعل کلید ترجمه است

همان طور که شما نیز متوجه شدید کلید ترجمه با روش هنالات در یافتن فعل جمله است. در بسیاری از جملات ممکن است با چندین فعل روبرو شویم. در چنین حالت هایی شما باید بتوانید فعل اصلی جمله را بیابید. فراموش نکنید هر جمله ساده دارای یک فعل اصلی است و در همان حال ممکن است دارای چند فعل دیگر باشد که نقش توضیحی در جمله دارند. به مثال فارسی زیر توجه کنید:

علی از دانشگاه تهران خارج شد.

جمله بالا از نوع ساده است و فقط یک فعل دارد. حالا جمله زیر را در نظر بگیرید:

علی از دانشگاه تهران، که در خیابان انقلاب واقع است، خارج شد.

هنوز با یک جمله ساده روبرو هستیم. در این جمله فقط یک عبارت توضیحی وجود دارد و فعل واقع است در جمله بالا نقش توضیحی دارد. بنابراین باید به فعل اصلی در جمله توجه کرد و آن را در ترجمه به کار گرفت. همیشه عبارات توضیحی را می توان از ساختار جمله خارج کرد.

به مثال زیر توجه کنید:

Financial statement readers, who *are* external or internal, use financial data.

در مثال بالا **are** فعل اصلی جمله محسوب نمی‌شود، و فقط فعل عبارت توضیحی درون جمله است. بنابراین برای ترجمه این جمله با روش هنالات، باید کار را از فعل اصلی جمله، که **use** است، شروع کرد و برای راحتی می‌توان عبارت توضیحی را موقتاً از جمله بیرون گذاشت. شکل ساده شده جمله بالا چنین است:

(الف) از (ب) استفاده می‌کند.

و با جایگذاری حروف (الف) و (ب)، ترجمه زیر حاصل می‌شود:

خوانندگان صورتهای مالی، (الف) از دادههای مالی (ب) استفاده می‌کنند (فعل اصلی).

اکنون می‌توانیم عبارت توضیحی را به ترجمه خود اضافه کنیم. با انجام این کار جمله به صورت زیر در می‌آید:

خوانندگان صورتهای مالی، که داخلی یا خارجی هستند (فعل توضیحی)، از دادههای مالی استفاده می‌کنند.

### تشخیص فعل توضیحی

سه راه برای تشخیص افعال توضیحی درون جمله وجود دارد. معمولاً قبل از افعال توضیحی کلماتی مثل **that**، **when**، **who**، **which** و نظایر این‌ها وجود دارد، و نقش "که" را ایفا می‌کنند.

راه دیگر این است که اگر چنین کلماتی قبل از فعل مشکوک وجود ندارد خودمان عبارت **that is** یا **that are** (به معنی که) را به قبل فعل مشکوک اضافه کنیم؛ اگر با اضافه کردن آن معنی جمله خراب نمی‌شود، پس فعل مشکوک فعل توضیحی است و فعل اصلی به شمار نمی‌رود.

راه سوم و ساده‌ترین راه این است که فعل مشکوک و همراهانش را از جمله حذف کنیم، اگر معنی جمله خراب نشد پس فعل مشکوک فعل توضیحی است. به مثال زیر توجه کنید:

Maintaining a minimum cash balance, **called compensating balance**, in checking or saving accounts for corporations **is** often **required** by banks and lending institutions that **lend** money to them.

فعل اصلی این جمله عبارتی است که زیر آن خط کشیده و بولد شده است (is required). اما یک دانشجوی مبتدی ممکن است در تشخیص آن ناتوان باشد و به دو کلمه‌ای که بولد و مورب شده‌اند هم به عنوان فعل اصلی مشکوک شود. راه حل چیست؟

قبل از کلمه **lend** کلمه **that** آمده است، پس نمی‌تواند فعل اصلی باشد. کلمه **called** هم فعل نیست زیرا اگر قبل از آن عبارت **that is** را اضافه کنیم، جمله بهم نمی‌ریزد.

راه دیگر این بود که کلمات مشکوک به فعل را با همراهانش از جمله خارج کنیم، اگر جمله خراب نشود پس آنها فعل نبودند. پس اگر عبارت بین دو کاما، و عبارت بعد از **that** را حذف کنیم جمله خراب نمی‌شود.

### ترجمه زمان فعل

به هنگام ترجمه یک جمله با روش هنالات دانستن زمان فعل مهم نیست. کافی است معنی مصدر فعل را بدانید. فعل اصلی جمله را که یافتید به هر زمانی دوست دارید آن را ترجمه کنید. پس از آنکه قالب ترجمه را در آوردید به زمان صحیح فعل به کار رفته در جمله فارسی خود پی می‌برید. بنابراین، سعی نکنید همان ابتدا زمان فعل را دقیق ترجمه کنید.

### ترجمه جملات مجهول

فعل در برخی جملات افعال به صورت معلوم؛ و در تعداد زیادی از جملات به صورت مجهول به کار برده می‌شود. جمله معلوم جمله‌ای است که فاعل آن معلوم باشد. به مثال زیر توجه کنید:

Accountants prepare financial statements using a worksheet.

جمله بالا معلوم است زیرا فاعل آن حسابداران معلوم است. معنی این جمله چنین است:

حسابداران با استفاده از کاربرگ صورتهای مالی تهیه می‌کنند.

در ساخت افعال مجهول از یکی از اشکال **to be** (am, is, are, was, were, be, been, being) به علاوه شکل سوم فعل استفاده می‌شود. جمله انگلیسی بالا ممکن است به شکل مجهول (فاعل نامعلوم) به صورت زیر نوشته شود:

Financial statements are prepared using a worksheet.

ترجمه جمله مجهول بالا به صورت زیر خواهد بود:

صورتهای مالی با استفاده از کاربرگ تهیه می‌شوند.

این دو ترجمه را با هم مقایسه کنید. اغلب در ترجمه جملات مجهول برای بیان فعل، حالتی از فعل شدن در ترجمه وارد می‌شود.

اگر یک گروه اسمی به صورت زیر باشد:

### Statement of financial position of business enterprises

نحوه ترجمه آن به ترتیب شماره‌ها و به صورت زیر خواهد بود:

Statement(1) of financial(3) position(2) of business(5) enterprises(4)  
صورت (۱) وضعیت (۲) مالی (۳) واحدهای (۴) تجاری (۵)

گروه اسمی زیر را شما ترجمه کنید. آیا می‌توانید؟

### An integral part of the internal control structure of a business enterprise

معمولاً ابتدای اسم یا گروه اسمی یکی از نشانه‌های *a, an, the* می‌آید. به مثال قبلی توجه نمایید. البته، برخی گروه‌های اسمی هم هیچ یک از این نشانه‌ها را ندارند.

### تفکیک صحیح اجزای جمله

اجزای وابسته به هم را نمی‌توانید از یکدیگر جدا کنید. به پاراگراف زیر توجه کنید:

Sound decisions/ made /by/ individuals, businesses, governments, and other entities/ in /a society/ are/ essential/ for /the efficient distribution and use of the nation's scarce resources./ To make/ such decisions,/ these groups/ need/ reliable information,/ mostly financial/ and provided /by/ the accounting system./ Therefore,/ accounting/ plays/ an important role/ in/ our economic and social system/ and/ its function/ is/ vital/ to / both a profit-seeking enterprise and a not-for-profit one./

اجزای پاراگراف بالا با خط‌های مورب از هم جدا شده‌اند. به عبارتی که زیر آن خط کشیده شده توجه نمایید. این عبارت یک گروه اسمی است و شما نمی‌توانید یک کلمه از آن را جدا کرده و با اجزای قبلی یا بعدی ترکیب و ترجمه کنید. مهم‌ترین اجزای جمله فعل اصلی و گروه‌های اسمی هستند. اگر این‌ها را بتوانید با گذاشتن خط مورب از یکدیگر تفکیک کنید، بقیه اجزای جمله هم خود به خود به‌طور صحیح تفکیک می‌شوند. این تمرین به شما در ترجمه بهتر کمک زیادی خواهد کرد.

### قاعده زن و مرد جوان

منظور از عبارت {زن و مرد جوان} چیست؟ هر دو جوان هستند یا فقط مرد جوان است؟ در این عبارت منظور نویسنده احتمالاً این است که هر دو جوان هستند و کلمه جوان به قرینه حذف شده است. بنابراین، شما به هنگام

### افعال ساخته شده با make

برخی مواقع برای شیواتر شدن نگارش، فعل اصلی ممکن است با فعل *make* ترکیب شود. یک فعل را می‌توان با کمی تغییر و ترکیب کردن آن با *make* به همان معنی اول به کار برد. برای مثال، به جای فعل *pay* می‌توان از فعل *make a payment* که به همان معنی پرداخت کردن است در جمله استفاده کرد. بنابر این قاعده، اگر یک فعل به اسم تبدیل شود و آن اسم را با *make* ترکیب کنیم، همان فعل اول ساخته می‌شود. برای مثال:

Adjust = Make an adjustment  
Determine = Make a determination

### ترجمه گروه اسمی

خانواده فعل و خانواده اسم دو رکن هر جمله هستند. از این رو مهم‌ترین و بیشترین اجزای جمله را این دو رکن تشکیل می‌دهند. اعضای خانواده اسم به دو صورت وارد جمله می‌شوند: به صورت تکی (تک اسم) یا به صورت گروهی (گروه اسمی). تقریباً در تمامی جملاتی که در زبان تخصصی مشاهده می‌کنیم، با اعضای خانواده اسم یعنی تک اسم‌ها و گروه‌های اسمی در جمله روبرو می‌شویم. برای ترجمه گروه‌های اسمی شما باید ترتیب ترجمه آنها را فرا بگیرید. برخی گروه‌های اسمی با *of* و برخی بدون *of* نوشته می‌شوند. به مثال زیر، که گروه اسمی بدون *of* است، توجه کنید:

### Financial position changes

گروه‌های اسمی بدون *of* را باید از انتها به ابتدا ترجمه کرد زیرا معمولاً آخرین کلمه آن اسم (رکن گروه) است و کلمات دیگر اضافه آن اسم هستند. پس ترجمه عبارت بالا چنین است:

تغییرات (changes) وضعیت (position) مالی (financial)  
تغییرات وضعیت مالی

همین گروه اسمی ممکن است با *of* و به صورت زیر نوشته شود:

### Changes of financial position

در گروه‌های اسمی با *of* کار ترجمه از آخرین کلمه قبل از *of* شروع می‌شود و با همان قاعده قبلی جلو می‌رود. پس عبارت بالا به ترتیب شماره‌های مشخص شده ترجمه می‌شود و باز به همان ترجمه پیشین می‌رسیم.

Changes(1) of financial(3) position(2)  
تغییرات(۱) وضعیت(۲) مالی(۳)

خواندن کتاب یا هر متن انگلیسی دیگری به این نکته باید توجه داشته باشید. به جمله زیر از پاراگراف قبلی توجه کنید:

Accounting plays an important role in our economic and social system.

در جمله بالا، کلمه **system** به قرینه فقط یک بار نوشته شده است. بنابراین، در ترجمه باید به منظور اصلی نویسنده، یعنی سیستم اجتماعی و سیستم اقتصادی، توجه داشت.

نمونه بالا مثالی بود از کاربرد قاعده زن و مرد جوان در گروه‌های اسمی. حذف به قرینه کردن در جاهای دیگر جمله هم دیده می‌شود. نمونه‌های زیادی را در این کتاب می‌توان یافت که برخی کلمات به قرینه حذف شده‌اند. در بسیاری از جملات مرکب، فاعل به قرینه حذف می‌گردد.

#### قاعده طلایی

بسیار اتفاق می‌افتد که هنگام خواندن و ترجمه کردن متن به کلماتی بر می‌خورید که معنی آن را نمی‌دانید و در همان حال اصرار دارید تا معنی آن کلمه را بیابید و ترجمه را ادامه دهید. همین اصرار نابجا در یافتن معنی کلمه وقت و انرژی شما را می‌گیرد. در این مواقع از قاعده طلایی استفاده کنید. کلمه را از جمله حذف کنید و بدون آن به ترجمه ادامه دهید. تقریباً با این قاعده می‌توانید قیدها و صفت‌ها را حذف کنید. دقت کنید فعل اصلی و پایه گروه‌های اسمی را نمی‌توان از جمله حذف کرد و بدون آنها معنی جمله نادرست خواهد بود. به نمونه زیر توجه نمایید:

User groups need **sound** and reliable information, mostly financial and provided by the accounting system, to make decisions.

اگر معنی کلمه **sound** را ندانید، به هنگام ترجمه چه می‌کنید؟ بسیاری از دانشجویان همین‌جا متوقف می‌شوند و گمان می‌کنند بدون معنی این کلمه نمی‌توانند ادامه دهند و از خواندن دست بر می‌دارند. قاعده طلایی به شما می‌گوید: بدون کلمه مزبور به کار خود ادامه دهید. فرض کنید چنین کلمه‌ای در جمله نبوده است. خواهید دید که معنی جمله خیلی تغییر نمی‌کند.

# 1

## Lesson

## ACCOUNTING

### The Role of Accounting

Sound decisions made by individuals, businesses, governments, and other entities in a society are essential for the efficient distribution and use of the nation's scarce resources. To make such decisions, these groups need reliable information, mostly financial and provided by the accounting system. Therefore, accounting plays an important role in our economic and social system and its function is vital to both a *profit-seeking enterprise* and a *not-for-profit one*.

Profit-seeking enterprises need accounting to keep a diary of their business activities, whether to be used by their managers for decision-making or to be reported to outsiders. Large corporations, for example, are accountable to many parties in the society and they have to report to stockholders, governmental agencies, and to the public.

Government officials also 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 for government activities. Universities, hospitals, churches, and other not-for-profit institutions also follow a pattern of accounting that is similar to governmental accounting. This book is mostly based on the accounting concepts of profit-seeking enterprises, which are often termed *business enterprises*.

### Users of Accounting Information

As it is noted above, the primary use of accounting information is for decision making by different users about an economic entity. Two groups of users make decisions based on information provided by the accounting department within the organization. Internal users, who are executives and managers, need information for planning and controlling the affairs of the entity. External users 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. This second group includes owners, lenders, bankers, other creditors, labor unions, governmental agencies, and the public.

### Managerial and Financial Accounting

To satisfy needs of both internal and external users, the accounting function has evolved into two specialized fields: managerial and financial accounting. Managerial accounting employs both historical and estimated data, which management uses in conducting and evaluating current operations, and in planning future operations. In contrast, financial accounting is concerned with the measuring and recording transactions for a business enterprise and the periodic preparation of various reports from such records. The reports, which may be for general purposes or for special purposes, provide useful information to external users.

### Accounting System

It must be noted that, both financial and managerial accounting data are produced from the same accounting system. An accounting system consists of the methods and devices used by an entity to keep track of its financial activities and to summarize these activities in a manner useful to decision-makers. While small business entities use manual accounting systems, large business enterprises may use high-speed computer techniques to handle massive quantities of data. However, computerized accounting systems are also based on the basic concepts of manual systems.

### Bookkeeping

In every accounting system, manual or computerized, the data concerning each day's financial activities must be measured, recorded, classified, and summarized. This phase of accounting, called *bookkeeping*, is only a small part of accounting and probably the simplest part. A person might become a proficient bookkeeper in a few months; however, to become a professional accountant requires several years of academic study and

experience. Accounting includes not only the bookkeeping process but also the design of efficient accounting systems, the performance of audits, preparing income tax returns, doing forecasts, and rendering consulting services.

### Financial Reporting

The process of supplying general-purpose reports to people outside the organization is termed *financial reporting*. In the United States and most other industrialized countries, publicly owned corporations are required to make much of their financial information public—that is, available to every one. These countries also have enacted laws to ensure that the public information provided by these companies is reliable and complete.

### Financial Statements

The main part of financial reporting is a set of accounting reports called financial statements. Financial statements summarize in a few pages the financial resources, obligations, profitability, and cash flows of a business. A complete set of financial statements includes balance sheet, the income statement, the statement of owners' equity, and the statement of cash flows. Several pages of notes, containing additional information, are also accompanied to the financial statements.

### Accounting Principles

The core of general-purpose financial accounting and reporting is generally accepted accounting principles (GAAP). These principles have been developed by the accounting profession over the years in an attempt to provide consistent financial statements. The authority of the accounting principles rests on their general acceptance by the accounting profession. GAAP encompasses not only the accounting principles, but also various procedures for applying those principles.

Many organizations play an active role in developing generally accepted accounting principles and in improving the quality of financial reporting in the United States. The most influential of these organizations are the Financial Accounting Standard Board (FASB), the American Institute of Certified Public Accountants (AICPA), the Security and Exchange Commission (SEC), and the American Accounting Association (AAA).

### Auditing

The development of the corporations created a new social need for an independent audit to provide some assurance that management's financial representations were reliable. In large part, this assurance is provided by



an audit, performed by a firm of certified public accountants (CPAs). This audit function, also called *attest function*, was chiefly responsible for the creation and growth of the public accounting profession.

### Future of Accounting

Changes in the environment in which organizations operate will inevitably be accompanied by alterations in accounting concepts and techniques. New advancements in the information technology (IT), the raise of globalization of businesses, and the demand of societies for better environment are the main forces to change the environment. Due to such environmental changes, some areas in accounting will receive increased attention in the near future. Computerized accounting systems, international accounting, and socioeconomic accounting are the most attention-directing areas.

## COMPREHENSION PRACTICE

### A. Short-Answer Questions:

1. What do the efficient distribution and use of scarce resources in a society require?
2. What are two groups of users of the accounting information?
3. Which branch of accounting employs both historical and estimated data?
4. What is called the phase of accounting that measures, records, classifies, and summarizes daily economic activities of a business?
5. What does give assurance that financial reports are reliable?
6. Why do profit-seeking enterprises need accounting?
7. What causes accounting concepts and techniques to change?
8. What driver caused the public accounting profession to grow?
9. What is the main output of financial reporting?
10. Which branch of accounting is concerned with measuring and recording transactions for a business enterprise?

### B. True-Or-False Statements:

1. To make sound decisions, decision-makers need reliable information.
2. Managers, bankers, and investors are examples of internal users.
3. Financial reporting is the process of preparing financial statements.
4. Financial accounting and reporting in US is based on GAAP.
5. Notes to the financial statements are part of financial statements.
6. Accounting concepts and techniques change due to environmental changes in accounting.

7. A new social need for an independent audit was created in response to the development of the corporations.
8. The primary use of accounting information is for decision making by managers of economic entities about the entire economy.
9. Bookkeeping is the smallest part of accounting but probably the most difficult part.
10. Profit-seeking enterprises keep a diary of their business activities to be reported to outsiders only.

### C. Multiple-Choice Questions:

1. **Accounting concepts and techniques change because ...**
  - a. accounting thought is changing
  - b. the environment in which the organizations operate changes
  - c. the authoritative bodies release new accounting standards
  - d. organizations need to change
2. **Accounting for governmental activities differ from the accounting for business activities because ...**
  - a. governmental units seek profit to be distributed to donors
  - b. of lacking profit in business activities of organizations
  - c. the objective of earning a profit is absent for governmental units
  - d. the two types of activities occur in different environments
3. **The function of auditing is ... the fairness of information contained in the financial statements.**
  - a. to investigate
  - b. to verify
  - c. to attest
  - d. to confirm
4. **The process of supplying financial information to outsiders by business enterprises is called ...**
  - a. management accounting
  - b. public accounting
  - c. financial reporting
  - d. bookkeeping
5. **GAAP serves as a basis for ...**
  - a. financial accounting and reporting
  - b. managerial accounting
  - c. governmental accounting
  - d. tax accounting

6. **The primary use of accounting information is ...**
  - a. for internal users like managers and officers
  - b. for decision makers outside the company
  - c. for decision making by different groups of users
  - d. for planning and controlling operations by managers
7. **The phase of accounting that is the smallest and probably the simplest part of the accounting is called ...**
  - a. bookkeeping
  - b. financial reporting
  - c. managerial accounting
  - d. financial statements
8. **Which group provides assurance that financial statements are reliable?**
  - a. Management Accountants
  - b. Certified Public Accountants
  - c. Financial Accounting Standard Board
  - d. Security and Exchange Commission
9. **Profit-seeking enterprises usually need accounting ...**
  - a. to keep a diary of their business activities
  - b. to present them to investors and creditors
  - c. to be used in taking decisions by their directors
  - d. to be reported to governmental enterprises
10. **Which group is in charge of planning and controlling the operations of a business enterprise?**
  - a. public accountants
  - b. executives and managers
  - c. management accountants
  - d. governmental agencies
11. **Which statement is invalid?**
  - a. Financial and managerial accounting data are produced from the same underlying accounting system.
  - b. General-purpose financial statements provide information useful for different groups of users.
  - c. The accounting principles has been developed the accounting profession.
  - d. International accounting is the area that received more attention due to environmental changes in accounting.

12. **Which of the following statements about users of accounting information is incorrect?**
  - a. Management is considered as internal user.
  - b. Taxing authorities are considered as external users.
  - c. Present creditors are considered as external users.
  - d. Regulatory authorities are considered as internal users.
13. **Which statement is not correct?**
  - a. Government officials use accounting information to direct their agencies toward corporations.
  - b. Executives of corporations and managers of business enterprises are the internal users of accounting information.
  - c. The accounting for hospitality activities is totally different from the accounting for business enterprises.
  - d. Lenders may provide money to the enterprise.

### WORD-FORMATION PRACTICE

#### A. Multiple-Choice Questions:

1. **To make sound ..., users groups must have reliable information provided by the accounting system.**
  - a. decide
  - b. decision
  - c. deciding
  - d. decisions
2. **Large corporations are ... to many parties in the society.**
  - a. account
  - b. accounting
  - c. accountable
  - d. accounted
3. **Accounting for ... activities requires a somewhat different approach.**
  - a. govern
  - b. government
  - c. governing
  - d. governmental
4. **The accounting function has evolved into two specialized fields: ... and financial accounting.**
  - a. manage
  - b. managed
  - c. managing
  - d. managerial

5. Changes in the environment in which ... operate will inevitably be ... by alterations in accounting concepts and techniques.
- organize—accompanied
  - organizations—accompanied
  - organized—accompany
  - organizations—accompany
6. Accounting principles have been ... by the accounting profession over the years in an attempt ... consistent financial statements.
- developed—provide
  - developing—providing
  - developed—to provide
  - develop—provides
7. Several pages of ..., ... additional information, are also accompanied to the financial statements.
- notes—containing
  - note—contains
  - notable—contain
  - noted—contained
8. External users have ... money to the business.
- supply
  - supplement
  - supplied
  - been supplied
9. Financial accounting is concerned with ... and recording transactions of business enterprises.
- measure
  - measuring
  - measurement
  - measurable
10. Each day's financial activities must be recorded, classified, and ...
- summarize
  - summarized
  - summarizing
  - summarization
11. The primary use of accounting ... is for decision making.
- inform
  - informed
  - information
  - to be informed

**B. Make another word from the verbs listed in the table below. Write Farsi meanings of the words you made.**

Decide			Govern		
Manage			Satisfy		
Finance			Include		
Accompany			Summarize		
State			Concern		
Report			Prepare		
Qualify			Operate		
Corporate			Organize		
Own			Measure		
Complete			Seek		
Demand			Search		
Supply			Attach		

### TRANSLATION PRACTICE

**A. In the table below, are several phrases. Translate them into Farsi.**

an era of accountability	
dramatic progress	
the field of business	
the accounting function	
every unit of our society	
income tax returns	
personal accounting information	
a college scholarship	
a credit card	
a bank loan	
Large corporations	
The federal government	
the school districts	
to the successful operation of a business	
a social program	
the ballot box	
accounting concepts	
some knowledge of accounting	
the challenges of their society	

**B. Translate the passage given into Farsi. Give your translation a title. Note that the main verb in each sentence is underlined.**

We live in an era of accountability. Although accounting has made its most dramatic progress in the field of business, the accounting function is vital to every unit of our society. An individual must account for his or her income, and must file income tax returns. Often an individual must supply personal accounting information in order to buy a car or home, to qualify for a college scholarship, to secure a credit card, or to obtain a bank loan. Large corporations are accountable to their stockholders, to governmental agencies, and to the public. The federal government, the states, the cities, the school districts; all must use accounting as a basis for controlling their resources and measuring their accomplishments. Accounting is equally essential to the successful operation of a business, a university, a fraternity, a social program, or a city. In every election, the voters must make decisions at the ballot box on issues involving accounting concepts. Therefore, some knowledge of accounting is needed by all citizens if they are to act intelligently in meeting the challenges of their society.

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**2**  
**Lesson**

## FINANCIAL STATEMENTS

The end result of an accounting system is the financial statements. The two most commonly used statements by businesses are the *income statement* and the *balance sheet*. Corporations prepare to users two other statements, which are the *statement of cash flows* and the *statement of retained earnings* (or the *statement of comprehensive income*). The objective of this lesson is to provide you with a brief explanation about these statements in a service enterprise. In future lessons you will be familiar with financial statements of merchandising and manufacturing enterprises.

### Income Statement

An income statement shows the results of operations of a business for a given period of time. To determine net income for the period, a business must measure revenues earned and expenses incurred during that period. Thus, it may be stated that net income equals revenues minus expenses. In the case that expenses exceed revenues, the result would be a net loss.

The following income statement shows the net income from the operations of ABC Dry Cleaning Services for the month of July:

ABC Dry Cleaning Services Income Statement For the month ended July 31, 2013		
<b>Revenues:</b>		
Fees earned		\$ 3,500
<b>Expenses:</b>		
Rent	\$ 720	
Salaries	450	
Utilities	250	
Cleaning	180	
Telephone	100	
<b>Total expenses</b>	<u>1,700</u>	
<b>Net Income</b>		<u>\$ 1,800</u>

As you may see from the above statement, the two basic elements of the income statement are *revenues* and *expenses*. These terms are defined below.

### Revenues

The value of goods sold and services rendered to the customers and clients during a given accounting period is called revenue. A business usually receives cash or acquires an account receivable at the time it renders services or sells merchandise to its customers. Therefore, the total assets of the company will increase by the amount of cash received or accounts receivable acquired. On the other hand, the owner's equity will increase because part of the assets belongs to the owner of the company. Thus, earning revenue causes owner's equity to increase. In fact, revenues are the gross increase in owner's equity resulting from operations of the business.

### Expenses

The cost of goods and services used up in the process of generating revenues is called expenses. Unlike revenue, an expense always causes the owner's equity to decrease. An expense reduces cash if the payment is made at the time of transaction, or it will finally reduce cash if the payment is made at a later date. Thus, expenses are the gross decrease in owner's equity resulting from operations of the business.

### Income Statement Formats

An income statement can be prepared using one of the two formats: a *single-step format* and a *multiple-step format*. In a single-step format, net

profit is computed by subtracting the total of expenses from the total of revenues in one step. That is why we call it single-step format. However, in a multiple-step income statement, net profit for the operation is computed in several steps. An example of a multiple-step income statement will be given in the lesson for merchandising enterprises.

### Balance Sheet

Every business prepares a balance sheet showing its assets, liabilities, and the owner's equity at a particular date. That is, the balance sheet shows the *financial position* of a business entity at a point in time. The following balance sheet portrays the financial position of ABC Dry Cleaning Services at July 31, 2013.

ABC Dry Cleaning Services  
Balance Sheet  
As of July 31, 2013

<b>Assets:</b>		<b>Liabilities &amp; Owner's equity:</b>	
Cash	\$ 10,580	Notes payable	\$ 700
Accounts receivable	2,000	Accounts payable	3,000
Equipment	3,000	Capital	11,880
<b>Total</b>	<u>\$ 15,580</u>	<b>Total</b>	<u>\$ 15,580</u>

### Balance Sheet Formats

A balance sheet can be prepared using two formats: a *T form* and a *report form*. The balance sheet of ABC Dry Cleaning Services is an example of a T form balance sheet. To prepare a report form balance sheet, liabilities and owner's equity are listed under the assets section.

The three general classes of the items appear on the balance sheet are assets, liabilities, and owner's equity. These are the key elements of every balance sheet. However, on the balance sheet of corporations, they are usually divided into several subclassifications as below:

<b>Assets</b>	Current assets	<b>Liabilities</b>	Current liabilities
	Long-term investments		Long-term liabilities
	Tangible fixed assets	<b>Owner's equity</b>	Capital stock
	Intangible assets		Additional paid-in capital
	Other assets		Retained earnings

**Assets**

The economic resources owned by a business are called assets. Assets are expected to benefit future operations of the business and they may have physical form such as machinery, or merchandise. Some assets, however, exist in the form of valuable legal claims or rights such as amounts due from customers, or a patent.

**Liabilities**

Liabilities are amounts owed by business to the others. Liabilities show also that part of assets which does not belong to the owner of the business and it should be paid in the future. Liabilities are usually arisen from purchasing goods or services on account.

**Owner's Equity**

The owner's equity in a business is equal to the total assets minus liabilities, and represents the resources invested by the owner. The owner of the business is entitled to receive whatever remains after liabilities are fully paid. Increases in owner's equity of a business come from two sources: 1) investment by the owner, and 2) earnings from profitable operation of the business. Withdrawals by the owner and losses from unprofitable operations cause the owner's equity to decrease.

**Statement of Owner's Equity**

Statement of owner's equity shows the sources and the amounts of changes in the owner's equity during a period. It starts with the balance of the owner's equity at the beginning of the period and ends with the closing balance of the owner's equity. To arrive at the closing balance of the owner's equity, new investment by the owner and net profit of the operations, as two sources of increase, are added to the starting balance. Withdrawals of the owner are then subtracted from the total. You should note that instead of preparing the statement of owner's equity, corporations are required to prepare either a retained earnings or a comprehensive income statement.

**Cash Flows Statement**

The statement of cash flows is useful to managers in evaluating past and planning future investing and financing activities. It is also useful to outside users to assess the ability of the enterprise to generate cash. The statement classifies cash receipts and cash payments by the three types of activities: *operating activities*, *investing activities*, and *financing activities*.

Cash flows from operating activities relate to cash transactions that enter into the determination of net income. The direct and indirect methods are two alternatives to report cash flows from such operating activities in the statement of cash flows. Examples are cash received from sale of merchandise, cash paid to employees as salaries and wages.

Cash flows from investing activities generally arise from the sale and acquisition of long-term assets such as acquisition and sale of plant assets. Cash flows from the financing activities generally come from long-term liability transactions and capital transactions. Dividends paid to shareholders and cash received from issuing stocks are the most common examples.

Investing and financing activities for an enterprise may be affected by transactions that do not involve cash. If such transactions have occurred during the period, their effects, if significant, should be reported in a separate schedule to accompany the statement of cash flows. We will cover this topic in another lesson.

**COMPREHENSION PRACTICE****A. Short-Answer Questions:**

1. What does an income statement show?
2. What are the two elements of an income statement?
3. How do you define revenues?
4. What factors cause the owner's equity to increase?
5. Give few examples for expenses.
6. Name the elements of a balance sheet.
7. What does a balance sheet show?
8. How do you define assets?
9. What are called the amounts owed by a business to the others?
10. What do cash flows from operating activities relate to?

**B. True-Or-False Statements:**

1. To compute net income, one must subtract expenses from revenues.
2. The income statement shows the results of operations of a business at a certain point in time.
3. Revenue causes the owner's equity to decrease.
4. Expenses are the cost of goods and services consumed in the process of generating revenue.
5. A balance sheet shows the financial position of a business at a particular date.

6. The economic resources of a business are called liabilities.
7. The owner of a business is entitled to receive all the assets before debts are fully satisfied.
8. Cash flows from investing activities generally arise from the sale and acquisition of long-term assets.
9. Decreases in owner's equity of a business come from two sources: a) investment by the owner, and b) earnings from profitable operation of the business.
10. Liabilities are amounts a business owed to the others.

**C. Fill in the blanks with an appropriate word:**

1. If expenses exceed revenues, the difference is called ...
2. The amounts paid on rent, salary, and utilities are examples of ...
3. ... causes owner's equity to decrease.
4. The balance sheet is prepared as of the ... of the reporting period.
5. ... are obligations of a business to others.
6. Assets are equal to liabilities plus ...
7. General items listed in a balance sheet are ..., ..., and ...
8. The end ... of an accounting system is the financial statements.
9. The two basic elements of the income statement are ... and ...
10. In a multiple-step income statement, net profit for the operation is computed in ... steps.

**D. Prepare financial statements:**

Presented below are the accounts' balances of XYZ Company at the end of December 2013. Prepare an income statement, an owner's equity statement, and a balance sheet.

Accounts payable	\$ 7,000	Salaries expense	\$ 5,000
Service fees income	15,000	Machinery	10,000
Prepaid insurance	2,000	Notes payable	2,000
Cash	6,000	Supplies	500
Telephone expense	2,500	Accounts receivable	12,000
Owner's capital	?	Unearned service fees	1,000
Rent expense	1,800	Withdrawals	1,200

**E. Multiple-Choice Questions:**

1. Which statement shows the results of operations of a business entity?
  - a. balance sheet
  - b. income statement
  - c. owner's equity statement
  - d. statement of cash flows
2. Net income will result during a time period when ...
  - a. assets exceed liabilities
  - b. assets exceed revenues
  - c. revenues exceed expenses
  - d. expenses exceed revenues
3. Which statement shows the financial position of a business enterprise?
  - a. income statement
  - b. statement of cash flows
  - c. balance sheet
  - d. statement of owner's equity
4. Which of the following items is not part of the assets?
  - a. notes payable
  - b. current assets
  - c. machinery
  - d. investments
5. Obligations of a business enterprise to others are called ...
  - a. withdrawals
  - b. liabilities
  - c. owner's equity
  - d. expenses
6. In a statement of cash flows, which of the following shows cash generated from a major course of business activities?
  - a. operating activities
  - b. investing activities
  - c. financing activities
  - d. non-cash transactions
7. Statement of owners equity ...
  - a. shows financing activities
  - b. can be prepared using a direct or an indirect method
  - c. is the same as a balance sheet
  - d. shows changes in the owners equity for the period

8. The ending balance of the owner's capital is computed as the ...
- assets minus liabilities at the beginning of the period
  - revenues minus expenses for the period
  - opening balance of capital minus withdrawals
  - opening capital plus net income minus withdrawals
9. Which item represents resources owned by a business enterprise?
- assets
  - liabilities
  - owner's equity
  - revenues
10. Cash paid to stockholders is classified on the cash flow statement as ...
- operating activities
  - investing activities
  - financing activities
  - a combination of the above
11. Cash flows from investing activities generally ... from the sale and acquisition of long-term assets.
- rise
  - raise
  - ascend
  - arise
12. The owner of the business is entitled to ... whatever remains after liabilities are fully paid.
- leave
  - abandon
  - receive
  - distribute
13. An expense ... cash if the payment is made at the time of transaction.
- inclines
  - reduces
  - writes up
  - increases
14. The three general classes of the items ... on the balance sheet are assets, liabilities, and owner's equity.
- adjusted
  - ascended
  - accepted
  - appeared

**WORD-FORMATION PRACTICE****A. Multiple-Choice Questions:**

1. ... prepare two other statements to users.
- corporate
  - corporation
  - incorporated
  - corporations
2. In the case that expenses exceed revenues, the result would be a net ...
- lose
  - loss
  - lost
  - losing
3. A business usually ... cash or acquires an account receivable.
- receive
  - receivable
  - receives
  - received
4. Unlike revenue, an ... always causes the owner's equity to decrease.
- expend
  - expenditures
  - expense
  - expenses
5. Some assets exist in the form of ... legal claims or rights.
- value
  - valuable
  - valuation
  - valued
6. The main elements of the balance sheet are divided into several ...
- subclassifications
  - classification
  - classify
  - classifies
7. The effects of noncash transactions should be reported in a separate schedule ... the statement of cash flows.
- to accompany
  - accompany
  - accompanying
  - have accompanied



8. The statement of cash flows is useful to managers in ... past and planning future investing and financing activities.
- evaluation
  - evaluating
  - being evaluated
  - evaluated
9. Cash flows from operating activities ... to cash transactions that enter into the ... of net income.
- are related—determining
  - is related—determination
  - relates—determines
  - are related—determination
10. Investing and financing activities for an enterprise may ... by transactions that do not involve cash.
- be affected
  - affects
  - been affected
  - being affected
11. The statement of owner's equity ... the sources and the amounts of changes in the owner's equity during a period.
- are shown
  - show
  - shows
  - is showing
12. To arrive at the ... balance of the owner's equity, new investment by the owner ... to the starting balance.
- closure—addition
  - closing—is added
  - closed—additional
  - closing—are added
13. The owner's equity will increase by revenues earned because part of the assets belongs to the ... of the company.
- owner
  - holder
  - boss
  - manager

**B. Make another word from the verbs listed in the table below. Write Farsi meanings for the words you made.**

Inform			Develop		
Seek			Perform		
Practice			Contain		
Memorize			Add		
Try			Translate		
Find			Form		
File			Mean		
Note			Use		
Provide			Underline		
Live			Supply		
Give			Base		
Credit			Involve		
Make			Title		
Buy			Secure		
Mention			Progress		
Act			Write		

### TRANSLATION PRACTICE

**A. In the table below, are several phrases. Translate them into Farsi.**

The end product	
the financial accounting process	
a set of reports	
financial statements	
the preparation of	
three such reports	
a statement of cash flows	
The amount of water	
a given moment of time	
a measure of stock	
a measure of flow	
a specified period of time	
One of the accounting reports	
the resources of an organization	
activities of the organization	

**B. Translate the passage given into Farsi. Give your translation a title. Note that the main verb in each sentence is underlined.**

The end product of the financial accounting process is a set of reports that are called financial statements. Accounting principles require the preparation of three such reports: (a) a balance sheet, (b) an income statement, and (c) a statement of cash flows. Most reports, in any field, can be classified into one of two categories called (1) stock or status reports, and (2) flow reports. The amount of water in a reservoir at a given moment of time is a measure of stock, whereas the amount of water that moves through the reservoir in a day is a measure of flow. Reports of stocks are always as of a specified instant in time; reports of flows always cover a specified period of time. Reports of stocks are like snapshots; reports of flows are more like motion pictures. One of the accounting reports, the balance sheet, is a report of stocks. It shows information about the resources of an organization at a specified moment of time. The other two reports, the income statement and the cash flow statement, are reports of flow. They report activities of the organization for a period of time, such as a quarter or a year.

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**3**  
**Lesson**

**ACCOUNTING EQUATION**

The fundamental attribute of a balance sheet is that the total figure for assets always equals the total for liabilities and owner's equity. This equality between the total assets and the total of liabilities plus owner's equity is one reason for calling this statement of financial position, a balance sheet. But why do total assets equal the total of liabilities and owner's equity? The answer is apparent from the next paragraph.

The equality of the two sides of the balance sheet comes from the fact that these two sides are merely two views of the same business property. The listing of assets represents what the business owned and the listing of liabilities and owner's equity shows who supplied these resources to the business and how much each group supplied. All the assets owned by a business have been supplied to it either by the creditors or by the owner itself. Therefore, the total claims of the creditors plus the claims of the owner equal the total assets of the business.

**Accounting Equation**

The equality of assets and of the claims of the creditors and the owner is expressed in an equation known as *the accounting equation* as presented below:

**Assets = Liabilities + Owner's Equity**

A balance sheet is simply a detailed statement of the accounting equation. Because creditors have preferential rights to the assets, it is customary to place liabilities before owner's equity in the accounting equation and on the balance sheet. This means that the owner's equity is a residual claim—secondary to the claims of creditors.

The accounting equation applies to all economic entities regardless of size, nature of business, or form of business organization. Thus, it applies to a small proprietorship such as a corner grocery store as well as to a giant corporation such as Microsoft.

### External and Internal Transactions

Transactions (or often business transactions) are the economic events of the enterprise recorded by the accountants. Transactions may be identified as *external* or *internal*. External transactions involve economic events between the company and some outside enterprise or party. For example, for Pizza Hut the purchase of cooking equipment from a supplier, the payment of monthly rent to the landlord, and the sale of pizzas to customers are external transactions. Internal transactions are economic events that occur entirely within one company. The use of office supplies illustrates this type of transaction for Pizza Hut.

A company may carry on many activities that do not in themselves represent business transactions. Hiring employees, answering the telephone, talking with customers, and placing an order for merchandise with a supplier are examples. However, some of these activities may lead to a business transaction. Employees will earn wages, and the company will receive merchandise ordered to the supplier.

### The Effects of Transactions

The accounting equation provides an underlying framework for recording and summarizing the economic events of a business enterprise. All business transactions can affect the accounting equation and they can be stated in terms of the resulting changes in the three basic elements of the equation, no matter how complex those transactions are. Each transaction must be analyzed in terms of its effects on the components of the basic accounting equation. This analysis must identify the specific items affected and the amount of the change in each item.

A thorough understanding of the effects of business transactions on the accounting equation can be better achieved by analyzing business

transactions of a typical entity and observing their effects on the equation components. To illustrate how business transactions affect the accounting equation elements consider transactions of ABC Dry Cleaning Services. Transactions for the month of July are as you see them below.

1. Invested \$ 10,000 in cash.
2. Paid \$ 720 rent expense for cash.
3. Purchased equipment on account, \$ 3,000.
4. Rendered services to customers for cash \$ 1,500.
5. Borrowed \$ 700 from a bank on a note payable.
6. Rendered cleaning services to customers on account, \$ 2,000.
7. Paid monthly expenses: salaries \$ 450; utilities \$ 250; cleaning \$ 180; and telephone \$ 100.

Table below shows the effects of each of transactions on the accounting equation. The amounts listed on the balance sheet of ABC Dry Cleaning Services in the previous lesson are taken from the final line of this table. Note that the equality of the two sides of the equation was maintained throughout recording transactions.

Trans.	Assets			=	Liabilities		+ Owner's Equity	description
	Cash	Accounts receivable	equipment	Notes payable	Accounts payable	Owner's capital		
1	+\$10,000					+\$10,000		Investment
2	- 720					- 720		Rent expense
	9,280					9,280		
3			+\$ 3,000		+\$ 3,000			
	9,280		3,000		3,000	9,280		
4	+1,500					+1,500		Fees earned
	10,780		3,000		3,000	10,780		
5	+700			+\$ 700				
	11,480		3,000	700	3,000	10,780		
6		+\$ 2,000				+\$ 2,000		Fees earned
	11,480	2,000	3,000	700	3,000	12,780		
7	-900					-450		Salaries exp.
7						-250		Utilities exp.
7						-180		Cleaning exp.
7						-100		Telephone exp.
Total	\$ 10,580	\$ 2,000	\$ 3,000	\$ 700	\$ 3,000	\$ 11,880		

Although we can prepare an income statement and a balance sheet from the last line of the above table, accountants do it in a systematic way. They use two books to record these transactions in first. One is a *journal* and the other is called *ledger*. To record transactions of a business to these two books, we need to be first familiar with them and be aware of the *rules of debit and credit*. We will cover this topic in the next lesson.

### COMPREHENSION PRACTICE

#### A. Short-Answer Questions:

1. What is the other name of a balance sheet?
2. From what fact does the equality of the two sides of the balance sheet come?
3. What does the list of assets in a balance sheet represent?
4. Why do we name the statement of financial position a balance sheet?
5. What are the elements of the accounting equation?
6. Why do we write in the accounting equation liabilities before the owners' equity?
7. What is a transaction?
8. What are major types of business transactions?
9. Define external transactions.
10. What are two main books that accountants use when they record transactions of a business?

#### B. True-Or-False Statements:

1. The total of assets is always equal to the total of liabilities.
2. A balance sheet is so called, because its two sides are the same.
3. The left side of the balance sheet shows who supplied the resources to the business.
4. Only the owner supplies assets to the business.
5. Changes in the elements of the accounting equation are derived from the effects of transactions upon the accounting equation.
6. The accounting equation only applies to corporate form of entities.
7. Purchasing equipment from a supplier is an example of external transactions.
8. Transactions that involve economic events between the company and some outside enterprises or parties are called internal transactions.
9. Ordering goods to a supplier may lead to a business transaction.
10. The accounting equation serves as a framework for recording and summarizing the economic events of a business enterprise.

#### C. Fill in the blanks with an appropriate word:

1. In a ... the total of the assets must be in agreement with the total for liabilities plus owner's equity.
2. A balance sheet is a detailed statement of the accounting ...
3. In the accounting equation, ... are written before owner's equity.
4. Assets ... resources of a business entity.
5. Purchasing equipment on account causes assets ...
6. Transactions may be identified as ... or ...
7. The accounting equation applies to all ... regardless of size, nature of business, or form of business.
8. ... involve economic events between the company and some outside enterprise or party.
9. Internal transactions are economic ... that occur entirely within the company.
10. Payment of a liability ... assets.

#### D. Analyze transactions and prepare financial statements:

Transactions of ABC Company for the month of December are given below. Analyze transactions in a tabular summary as illustrated in this lesson; and then prepare financial statements.

**Dec. 5: Invested \$ 7,000 cash and \$ 1,400 of supplies into the business.**

9: Received \$ 4,200 for services rendered.

11: Paid \$ 2,100 for salary.

14: Purchased equipment on account, \$ 3,700.

19: Paid \$ 200 for utilities.

21: Paid \$ 2,000 for on account Dec. 14 transaction.

25: Received \$ 4,500 for services rendered.

27: Rendered services \$ 5,000 on account to customers.

28: Inventory of supplies showed \$ 600 of supplies on-hand.

#### E. Multiple-Choice Questions:

1. Regardless of the order of elements, what are three basic elements of the accounting equation?
  - a. assets, liabilities, and revenues
  - b. owner's equity, liabilities and assets
  - c. expenses, revenues, and owner's equity
  - d. liabilities, assets, and expenses

2. **The total for the assets must always be equal to the total for ...**
  - a. liabilities minus owner's equity
  - b. revenues minus expenses
  - c. revenues plus expenses
  - d. liabilities plus owner's equity
3. **The claims of creditors are represented by ...**
  - a. assets
  - b. liabilities
  - c. owner's equity
  - d. properties of the business
4. **Which transaction increases assets and liabilities?**
  - a. purchasing supplies on account
  - b. collecting amounts due from receivables
  - c. paying accounts payable
  - d. sale of an asset on account
5. **In every balance sheet, ...**
  - a. assets show what the business owed
  - b. the totals for the two sides are always in balance
  - c. liabilities represent what the business owned
  - d. owner's equity shows what belongs to the business
6. **Purchasing supplies on account causes ....**
  - a. assets and owners' capital to decrease
  - b. liabilities and assets to decrease
  - c. owners' capital and liabilities to increase
  - d. assets and liabilities to increase
7. **Which statement is incorrect?**
  - a. Assets are the belongings of a firm.
  - b. Assets of a firm are presented by the owner or by the creditors.
  - c. The claims of the creditors are equal to the owner's equity.
  - d. Assets of a firm are resources presented to the firm.
8. **Which of the following groups are residual claimants in a business enterprise?**
  - a. owners
  - b. creditors
  - c. suppliers
  - d. competitors

9. **Part of liabilities of a business enterprise is paid. What are the effects of this transaction?**
  - a. liabilities decline to zero, and cash declines also
  - b. liabilities decrease while assets increase
  - c. both assets and liabilities decrease
  - d. neither assets nor liabilities change
10. **When an asset is purchased for cash, ...**
  - a. assets of the business are decreased
  - b. assets of the business are increased
  - c. assets of the business do not change
  - d. total assets of the business do not change
11. **Which of the following items is not an example of external transactions?**
  - a. utilizing office furniture
  - b. selling merchandise to customers
  - c. purchasing supplies from outsiders
  - d. receiving merchandise already ordered to a supplier

### WORD-FORMATION PRACTICE

#### A. Multiple-Choice Questions:

1. **The total claims of ... plus the claims of the owner equal the total assets of the business.**
  - a. the crediting
  - b. the credits
  - c. the credit
  - d. the creditors
2. **The ... of assets and of the claims of creditors plus the owner's equity is expressed in the accounting equation.**
  - a. equals
  - b. equality
  - c. equalities
  - d. equal
3. **A balance sheet is ... a detailed statement of the accounting equation.**
  - a. the simplest
  - b. simple
  - c. simplify
  - d. simply

4. Creditors have ... rights to the assets.
- preferred
  - prefers
  - preferential
  - preferably
5. Accountants prepare financial statements in a ... way.
- systems
  - systematic
  - systematically
  - system
6. The claims of creditors are shown by ...of the business.
- the liabilities
  - the liability
  - liable
  - a liability
7. External transactions ... economic events between the company and some outside enterprises or parties.
- involves
  - involve
  - involving
  - are involved
8. A company may ... many activities that do not in themselves ... business transactions.
- carry—represents
  - carry out—indicate
  - carry out—indicates
  - carry on—represent
9. The analysis of transactions must ... the specific items affected and the amount of the change in each item.
- understand
  - identify
  - examine
  - analyze

**B. Make another word from the verbs listed in the table below. Write Farsi meanings of the words you made.**

Need			Change		
Introduce			Allocate		
Account			Note		
Rely			Represent		
Own			Complete		
Distribute			Certify		
End			Earn		
Corporate			Retain		
Flow			Result		
Manufacture			Equal		
Operate			Measure		
Exceed			Expend		
Lose			Incur		
Expand			Except		
Extend			Expense		

### TRANSLATION PRACTICE

**A. In the table below, are several phrases. Translate them into Farsi.**

two views of interpreting a balance sheet	
<i>The sources and uses of funds view</i>	
the left-hand side of the balance	
the balance sheet date	
a satisfactory profit	
The right-hand side	
the sources of the funds	
<i>the resources and claims view</i>	
the economic resources of the entity	
the claims of the owner	
some shortcomings	
the notion of claiming assets	
both ways of interpreting the balance sheet	
certain circumstances	
the sources and uses of funds view	
a more meaningful interpretation	

**B. Translate the passage given into Farsi. Give your translation a title. Note that the main verb in each sentence is underlined.**

There are two views of interpreting a balance sheet. *The sources and uses of funds view* holds that the left-hand side of the balance sheet shows the forms in which the entity has used or invested the funds provided to it as of the balance sheet date. These investments have been made in order to help the entity achieve its objectives, i.e. earning a satisfactory profit. The right-hand side shows the sources of the funds that are invested in the assets, i.e. how the assets are financed. In *the resources and claims view*, items on the asset side are said to be the economic resources of the entity as of the date of the balance sheet and liabilities and owner's equity are claims against the entity as of the same date. Liabilities are claims of the others and the equity represents the claims of the owner. The resources and claims view of the balance sheet has some shortcomings. First, there is a difficulty with interpreting the owner's equity as a claim. Second, the notion of claiming assets is rather legalistic and has the most meaning if a company is being liquidated in bankruptcy. However, both ways of interpreting the balance sheet are correct. In certain circumstances, the resources and claims view is easier to understand whereas in analyzing the balance sheet as a going concern, the sources and uses of funds view usually provides a more meaningful interpretation.

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**4**  
**Lesson**

**BOOKKEEPING**

Business transactions of an enterprise would cause many different assets, liabilities, and owner's equity to increase and or decrease during a specific period. To have the details of these transactions readily available and to prepare periodic financial statements easily, the effects of transactions must be recorded in a timely and systematic manner. In fact, accountants use two books (i.e., general journal and ledger) to record in transactions of the business enterprise. This step of accounting is called *bookkeeping*. To understand this phase, one need to know what journals and accounts are; how they are used; and need to be acquainted with the rules of debit and credit.

**Accounts and Ledger**

An *account* is a device in which individual transactions of a business are recorded. The accounts of a company are contained in a book called *ledger*. Each account is a sheet of paper having rows and columns to write in. It has three major parts: a title, which shows what to be recorded in the account; and two columns or spaces for recording increases or decreases of an item which is being recorded in the account in terms of money.

The simplified form of account, which we use it to show illustrations, is called T account because of its similarity to the letter T. However, you should recall that a real account is different. Here, a T account is shown. As you see, the two sides of the account are to record either increases or decreases depending on the type of element the account represents.

Title Place	
Left (debit) side to record increases or decreases	Right (credit) side to record decreases or increases

### Debit and Credit

The left side of the account and the right side are called *debit side* and *credit side*, respectively. Regardless of the account title, amounts entered on the left side of the account are called debits to the account, and the account is said to be debited. Amounts entered on the right side are called credits, and the account is said to be credited.

### Debit and Credit Rules

The rules of debit and credit may be stated relative to the equation of accounting and to the format of the balance sheet. The rules for revenue and expenses are based on the relationship of these elements to owner's equity. The rules of debit and credit for the six groups of the accounts are presented below.

Asset Accounts	
Debit Side	Credit Side
For	For
Increases	Decreases

Withdrawal Account	
Debit Side	Credit Side
For	For
Increases	Decreases

Expense Accounts	
Debit Side	Credit Side
For	For
Increases	Decreases

Liability Accounts	
Debit Side	Credit Side
For	For
Decreases	Increases

Owner's Capital Account	
Debit Side	Credit Side
For	For
Decreases	Increases

Revenue Accounts	
Debit Side	Credit Side
For	For
Decreases	Increases

### Normal Balances of Accounts

The rules of debit and credit and the normal balances of the various types of accounts are summarized below. It should be kept in mind that the side of account, which received increases, determines normal balances.

	Increase	Decrease	Normal Balance
Asset	Debit	Credit	Debit
Liability	Credit	Debit	Credit
Owner's Equity	Credit	Debit	Credit
Withdrawal	Debit	Credit	Debit
Revenue	Credit	Debit	Credit
Expense	Debit	Credit	Debit

Note also, that the withdrawal and expense accounts are recorded as debits when increase because increases of these accounts represent decreases in owner's equity.

### Chart of Accounts

A *chart of accounts* is a listing of all the accounts in a ledger that are pre-numbered to permit easy indexing and for use as references. Generally, accounts in the chart of accounts appear in the same order they are presented on the balance sheet and the income statement. The order is: asset accounts, liability accounts, owner's equity accounts, followed by the revenue and expense accounts just to remember.

### Double-Entry Accounting

The rules of debit and credit are designed so that every transaction is recorded by equal amounts of debits and credits. The foundation of this equality is the accounting equation. Increases in the left side of the equation are recorded by debits, while increases in the right side of the equation are recorded by credits. This system is often called *double-entry accounting*.

### Journal

All business transactions will never be recorded directly in the ledger accounts. In fact, in a real accounting system, each business transaction is initially recorded in a book known as *journal*. The debit and credit changes of the accounts are entered in the ledger accounts after transactions have been recorded in the journal. The journal is sometimes called the book of original entry since it is an accounting record in which transactions are first recorded.



### General Journal

Many different types of journals may be used by businesses. The number and types of journals needed by a specific business enterprise is based on the nature of operations and the volume of transactions in the enterprise. The simplest type of journal, which has only two money columns, is called a *general journal* and it may be used for all types of transactions. A piece of a page from a general journal is shown below.

No.	Date		Description	LP	Amount	
	M	D			Dr.	Cr.
1	July		Cash	1	10,000	
			Capital	45		10,000
			To record investment by the owner			

### Posting

Each amount listed in the debit column of the journal is posted by entering it on the debit side of an account in the ledger, and each amount listed in the credit column of the journal is posted to the credit side of a ledger account. This process of transferring debits and credits from the general journal to the ledger accounts is called *posting*.

### Cross Referencing

When an amount from journal is posted to the appropriate account in the ledger, the page number of the account is written in the LP column of the journal. LP stands for "*ledger page*". The page of journal is also written in JP column of the ledger account next to the amount posted. This is referred to as *cross-referencing*. For example, the above journal shows that the amount \$10,000 is posted to the capital account on page 45 in the ledger and if we could see, there must be number 2 as journal page in the capital account next to the amount posted \$10,000.

### Trial Balance

A *trial balance* is a two-column table listing the names and balances of all the accounts in the order in which they appear in the ledger. Debit balances are listed in the left-hand column and credit balances in the right-hand column. The purpose of preparing a trial balance is, in fact, to ensure that the totals of the accounts with debit balances are equal to the totals of the accounts with credit balances. Therefore, the totals for the two columns of the trial balance should agree. Trial balance is a base to prepare financial statements.

## COMPREHENSION PRACTICE

### A. Short-Answer Questions:

- Which book is first used to record transactions in?
- What is an account?
- What are the major parts of a T account?
- Explain the rule of debit and credit for an asset account.
- Which side of a liability account is to record increases in?
- How can the normal balance of an account be determined?
- What is a chart of accounts?
- In which order are the accounts in a ledger sorted?
- What do LP and JP stand for?
- What is a trial balance prepared for?
- Why do we call the system of accounting a double entry one?

### B. True-Or-False Statements:

- A group of related accounts that comprise a complete unit is called a ledger.
- Business transactions occurred during an accounting period would affect many different accounts of an enterprise.
- The left side of an account is called credit side.
- Asset accounts are decreased by credit side.
- Revenue accounts are decreased by debit side.
- The normal balance of an account is indicated by the side that receives increases.
- The accounts in the chart of accounts are arranged in the order they appear on the financial statements.
- The other name for a journal is the book of original entry.
- Before journalizing transactions, they should be entered in the accounts.
- One of the advantages of using a journal is to have all information about each transaction in one place.
- The simplest form of journal, which has two money columns, is known as general journal.
- The process of transferring debits and credits from the journal to the ledger accounts is called posting.

### C. Fill in the blanks using an appropriate word.

- The left side of an account is known as the ..., whereas the right side is the ...

2. Increases in all liability accounts are ...
3. Decreases in all revenue accounts are ...
4. Increases in expenses are debited because they decrease ...
5. The simplest form of an account is called ...
6. Numbers and names for all the accounts appear in ...
7. An initial book for recording all transactions is known as ...
8. The process of recording transactions in the journal is termed ...
9. Journal is a ... record of all transactions.
10. A journal entry which has more than two debits and or credits is called a ... entry.

#### D. Multiple-Choice Questions:

1. **A ledger ...**
  - a. contains only asset and liability accounts
  - b. shows the accounts in an alphabetical order
  - c. is a collection of the entire group of accounts
  - d. is a book of original entry
2. **Accounts that normally have a debit balance are ...**
  - a. assets, expenses, and revenues
  - b. assets, expenses, and owner's equity
  - c. assets, liabilities, and owner's drawings
  - d. assets, owner's drawings, and expenses
3. **A revenue account ...**
  - a. is increased by debits
  - b. is decreased by credits
  - c. has a debit normal balance
  - d. is increased by credits
4. **Debits ...**
  - a. increase both assets and liabilities
  - b. decrease both assets and liabilities
  - c. increase assets and decrease liabilities
  - d. decrease assets and increase liabilities
5. **Which of the following statements about the journal is false?**
  - a. It classifies individual transactions of a business into accounts.
  - b. It is a book of original entry.
  - c. It provides a chronological record of transactions.
  - d. It discloses in one place the complete effects of a transaction.

6. **Posting ...**
  - a. normally occurs before journalizing
  - b. transfers ledger transaction data to the journal
  - c. is an optional step in recording transactions
  - d. transfers journal entries to ledger accounts
7. **Increases in liability accounts ...**
  - a. are recorded by a debit entry
  - b. are recorded by a credit entry
  - c. are equal to decreases of the assets accounts
  - d. are equal to increases of the assets accounts
8. **Journal ...**
  - a. shows the accounts of a business in one page
  - b. keeps a chronological track of transactions in one place
  - c. is a book to classify transactions
  - d. is used to prepare a trial balance
9. **Which of the following keeps track of data transferred from a journal to ledger accounts?**
  - a. debits and credits recorded in the accounts
  - b. debits and credits entered in the journal
  - c. reference column of both journal and ledger
  - d. date of transactions
10. **Which statement is not correct?**
  - a. A chart of accounts is a listing of all the accounts in a ledger.
  - b. Increases in the left side of the accounting equation are recorded by debits.
  - c. The simplest type of a journal with two money columns is called general journal.
  - d. All transactions are recorded directly in the ledger accounts.
11. **Which statement is not true about a trial balance?**
  - a. It ensures to a great extent that totals of debit balances are equal to the totals of credit balances.
  - b. When its two columns are in agreement, it is not needed to prepare financial statements.
  - c. It is a two-column sheet of paper to be used as a base to prepare financial statements.
  - d. It is a means by which accountants check the process of bookkeeping for errors made.

12. A journal ...
- contains only asset and liability accounts
  - should show the accounts in an alphabetical order
  - is a collection of the entire group of accounts
  - is a book of original entry
13. Analyzing transactions and events in terms of increases and or decreases in the elements of financial statements refers to ...
- the journalizing step
  - identifying and measuring transactions
  - the posting step
  - preparing financial statements
14. Bookkeeping means ...
- keeping books in the business enterprise
  - holding journal and ledger by the enterprise
  - recording transactions in the journals
  - having the details of transactions available

### WORD-FORMATION PRACTICE

#### A. Multiple-Choice Questions:

1. The effects of transactions must be recorded in a ... and systematic manner.
- timing
  - timely
  - timeliness
  - time
2. The ... form of account, which we use it to show illustrations, is called T account.
- simplest
  - simple
  - simpler
  - simplify
3. The rules of debit and credit and the normal balances of the ... types of accounts are summarized below.
- varying
  - variable
  - various
  - variety

4. ... balance is a base to prepare financial statements.
- Trying
  - Trial
  - Try
  - Tried
5. The process of ... the debits and credits from the general journal to the ledger accounts is called posting.
- transfers
  - transferring
  - transferred
  - transfer
6. Business transactions are ... recorded in a book known as journal.
- initially
  - initiation
  - initiated
  - initiates
7. A trial balance is a two-column table ... the names and balances of all the accounts.
- listed
  - lists
  - list
  - listing
8. Trial balance is ... to prepare financial statements.
- basic
  - based on
  - based
  - a base
9. A capital account ... to record investments of the ... in the enterprise.
- is used—owner
  - used—owning
  - using—owner
  - must be used—owns
10. The totals for the two columns of the trial balance ...
- agreed
  - agrees
  - should agree
  - disagree

11. The purpose of preparing a trial balance is ... that the sum of ... balances is equal to the sum of credit balances.
- to ensure—debiting
  - to ensure—debit
  - ensuring—debited
  - ensure—debit
12. The number and types of journals ... by a specific enterprise ... on the nature of operations and the volume of transactions in the enterprise.
- needs—is depended
  - need—base
  - needing—bases
  - needed—depend
13. The effects of transactions ... in a timely and systematic manner.
- is recorded
  - records
  - must be recorded
  - record
14. Each amount listed in the debit column of the journal ... by entering it on the debit side of an account in the ledger.
- is transferred
  - transferring
  - transfers
  - are transferred
15. After all adjusting entries have been journalized, the related amounts in the journal must be ... to ledger accounts by the process of posting.
- transported
  - transferred
  - replaced
  - removed
16. An account is a ... in which individual transactions of a business are recorded.
- dividend
  - device
  - decide
  - devise

**B. Make another word from the verbs listed in the table below. Write Farsi meanings for the words you made.**

Follow		Claim		Clean	
Evaluate		Arise		Dry	
Render		Appear		Price	
Belong		Entail		Define	
Acquire		Represent		Serve	
Cause		Ensure		Cost	
Process		Remain		Invest	
Finalize		Affect		Withdraw	
Generate		Divide		Like	
Multiply		View		Reduce	
Portray		Reason		Subtract	
Exist		Prefer		Benefit	
Equip		Expect		Describe	

### TRANSLATION PRACTICE

**A. In the table below, are several phrases. Translate them into Farsi.**

The basic purpose of special journals	
a particular type of business transaction	
an accounting record or device	
designing various special journals	
one particular type of transaction	
the old-fashioned mechanical cash register	
a familiar example of a special journal	
the salesclerk or cashier	
a specific type of business transaction	
The number and format of the special journals	
the nature and the volume of	
the company's transactions	
In most merchandising businesses	
the vast majority of transactions	
four major categories	
purchases of merchandise on account	
The most common special journals	

**B. Translate the passage given into Farsi. Give your translation a title. Note that the main verb in each sentence is underlined.**

Journals come in many different forms. The basic purpose of special journals is to record a particular type of business transaction quickly and efficiently. Most businesses are able to speed up and simplify the recording process by designing various special journals. Each special journal is an accounting record or device that is designed for quickly and efficiently recording one particular type of transaction. The people maintaining these journals need not be experts in accounting; they need only know how to record one type of transaction. 'RRRrrring!' the old-fashioned mechanical cash register provides a familiar example of a special journal. As the salesclerk or cashier 'rings up' each cash sale, the dollar amount is printed on a tape within the cash register. This tape provides a record of each sale. Special journals are not all alike; each is designed for recording a specific type of business transaction. The number and format of the special journals in use at a particular business will vary with the nature and the volume of the company's transactions. In most merchandising businesses, the vast majority of transactions fall into four major categories: (1) sales on account, (2) purchases of merchandise on account, (3) cash receipts and (4) cash payments. The most common special journals are designed to manage these four major transactions.

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# ADJUSTMENTS

### Cash and Accrual Accounting

Under *cash basis accounting*, revenue is recorded when received in cash and expenses are recorded in the period in which cash payment is made. The cash basis of accounting does not provide a good picture of profitability of the firm, because it ignores revenue that has been earned but not yet collected and expenses that have been incurred but not paid.

An alternative to the cash basis accounting is the *accrual basis of accounting* that recognizes revenue in the period in which it is earned and deducts in the same period expenses incurred in generating this revenue. The accrual basis of accounting provides a realistic picture of the profitability of the business because it emphasizes matching of revenue and related expenses.

### Adjusting Entries

To work successfully, an accrual basis accounting requires the use of *adjusting entries* at the end of each accounting period. For example, revenues, which have been earned but not yet received, must be recorded through the adjusting entries. Any unrecorded expense, which helped to produce revenue, must also be recorded by means of adjusting entries.

At the end of the accounting period, many of the amounts listed on the trial balance can be transferred, without change, to the financial statements. However, not all trial balance amounts are necessarily correct. The amounts listed for prepaid expenses, for example, are normally overstated because the day-to-day consumption or expiration of this asset has not been recorded. On the other hand, some expenses (e.g., depreciation) might have been incurred during the period but not recorded until the end of the period. Therefore, an accrual basis accounting requires the use of adjusting entries at the end of the accounting period.

### Types of Adjusting Entries

A business may need to make a dozen or more adjusting entry at the end of each accounting period. The number of adjustments will depend upon the nature of the company's activities. However, all adjusting entries fall into one of the four general categories mentioned below:

1. **Entries to apportion recorded costs.** A cost that will benefit more than one accounting period is usually recorded by debiting an asset account. At the end of each period, an adjusting entry is made to allocate a portion of the asset's cost to expense account.
2. **Entries to apportion unearned revenues.** A business may collect in advance for goods or services to be delivered or rendered to customers in future accounting periods. At the end of the period in which services are rendered or goods are delivered, an adjusting entry is made to record the portion of the revenue earned during the period.
3. **Entries to record unrecorded expenses.** An expense may be incurred in the current accounting period but the related bill has not yet been received until next period during which the payment will be made. Such unrecorded expenses must be recorded by means of adjusting entries at the end of the accounting period.
4. **Entries to record unrecorded revenues.** As with unrecorded expenses, revenue may be earned during the current accounting period but not yet billed to customers or recorded in the accounting records. Such items are recorded by making an adjusting entry at the end of the period.

### Journalizing and Posting Adjusting Entries

As with the ordinary entries, adjusting entries must be recorded in the general journal. After all adjusting entries have been journalized; the related amounts in the journal must be transferred to ledger accounts by the process of posting. In this way, all amounts in the company's accounts are adjusted and hence correct.

### Adjusted Trial Balance

After journalizing and posting all necessary adjusting entries, an adjusted trial balance is prepared to prove that the ledger is still in balance. A *post-adjustments trial balance* provides a complete listing of the account's balances to be used in preparing financial statements.

### Worksheet

The task necessary at the end of an accounting period includes preparation of a trial balance, journalizing and posting adjusting entries, preparing financial statements, and closing the accounts. In these end-of-period works so many details are involved which makes it easy to make errors. One way of avoiding errors in the permanent accounting records as well as simplifying the work is to use a *work sheet*.

A worksheet is a large columnar sheet of paper designed to arrange all the accounting data required at the end of period. Preparation of the worksheet is an optional procedure in the accounting cycle, however. The worksheet is prepared in pencil and it is not a part of formal accounting records, therefore. In case of making errors on the worksheet, they may be erased and corrected much more easily than an error in the formal accounting records.

The worksheet is a mean by which ledger accounts are adjusted, balanced, and listed in the general form of financial statements. The worksheet, after being completed, serves as a mean to prepare financial statements and to enter in journal the adjusting and closing entries.

**COMPREHENSION PRACTICE****A. Short-Answer Questions:**

1. When are revenues and expenses recorded under the cash basis accounting?
2. Which basis of accounting best matches revenues with expenses?
3. What are different types of adjusting entries?
4. What is the adjusting entry for \$ 5,000 salary expense incurred but not paid?
5. What is a post-adjusted trial balance?
6. What is a worksheet?
7. Is worksheet a formal document?
8. Which basis of accounting can not provide a realistic picture of the firm's profitability?
9. In which group of adjusting entries is an entry to apportion a prepaid expense for rent classified?
10. Why do accountants prepare an adjusted trial balance?

**B. True-or-False Statements:**

1. The cash basis of accounting provides a good picture of profitability of the firm.
2. The accrual basis of accounting does not provide a realistic picture of the profitability of the business.
3. The number of adjustments will depend upon the nature of the company's activities.
4. Adjusting entries does not need to be recorded in the general journal.
5. A post-adjustments trial balance provides only a listing of the income statement's accounts balances.
6. Preparation of the worksheet is an optional step in the accounting cycle.
7. Unlike the ordinary entries, adjusting entries must not be recorded in the general journal.
8. The worksheet is prepared in pencil and it is a part of formal accounting records.
9. Unrecorded expenses must be recorded by means of adjusting entries at the end of the accounting period.
10. Errors made on the worksheet may be erased and corrected much more easily than an error in the formal accounting records.

**C. Multiple-Choice Questions:**

1. When the cash basis accounting is used, cash paid for purchasing supplies must be debited in ...
  - a. an asset account
  - b. a liability account
  - c. an expense account
  - d. a revenue account
2. In a cash basis accounting, which account is debited for rendering services on account to customers?
  - a. accounts receivable
  - b. cash account
  - c. revenue account
  - d. it is not recorded under the cash basis accounting
3. Of \$ 5,000 prepaid expenses, \$ 2,000 is expired until the end of the period. What is the adjusting entry to correct prepaid expenses?
  - a. debit prepaid expense and credit expense for \$ 3,000
  - b. debit prepaid expense and credit cash for \$ 2,000
  - c. debit expense and credit prepaid expense for \$ 2,000
  - d. debit expense and credit prepaid expense for \$ 3,000
4. Which of the following documents is often used to prepare financial statements?
  - a. ledger accounts
  - b. trial balance
  - c. adjusted trial balance
  - d. journal
5. The reason for adjusting the accounts at the end of the period is ...
  - a. that changes of accounting elements are not recorded on a daily basis
  - b. to ensure that matching and the revenue recognition are followed
  - c. to correct asset, liability, and owner's capital accounts
  - d. All of them
6. Under the accrual accounting, what is the correct entry to apportion revenue earned to the period?
  - a. debit unearned revenue, credit revenue
  - b. debit revenue, credit expense
  - c. debit receivable revenue, credit unearned revenue
  - d. debit payables, credit receivables

7. **Worksheet ...**
- makes it easy to make errors
  - is a formal accounting document
  - serves as a means to prepare financial statements
  - includes trial balance, journal, and the ledger accounts
8. **Supplies purchased during the period are recorded in an expense account. What is the adjusting entry at the year-end for recording supplies used during the period?**
- debit expense account equal to supplies used, credit supplies account equal to remained supplies
  - debit expense account equal to supplies remained, credit supplies account equal to remained supplies
  - debit supplies account equal to supplies used, credit expense account equal to remained supplies
  - debit supplies account equal to supplies remained, credit expense account equal to supplies remained
9. **Which statement is correct about the accrual accounting?**
- An accrual basis accounting often requires the use of adjusting entries during the accounting period.
  - Unrecorded expenses can not be recorded by means of adjusting entries.
  - Prepaid expenses are normally understated because the day-to-day consumption or expiration of this asset has not been recorded.
  - As with the ordinary entries, adjusting entries must be recorded in the general journal.
10. **Which statement is not correct?**
- Adjusted trial balance is prepared after all adjusting entries have been journalized and posted.
  - Adjusted trial balance includes both the accounts that are adjusted and the rest of the accounts.
  - Two steps that are optional to adjust the accounts are adjusting and preparing a post-adjusting trial balance.
  - Accountants adjust the accounts on a worksheet first, and then from the worksheet adjusting entries are journalized and posted.
11. **The accrual basis of accounting ...**
- records revenues when received and expenses when paid
  - emphasizes the matching of revenues and related expenses
  - does not provide a good picture of profitability of the firm
  - ignores the recognition of expenses in the period incurred

**WORD-FORMATION PRACTICE****A. Multiple-Choice Questions:**

1. **An ... to the cash basis accounting is the accrual basis of accounting.**
- alteration
  - alternative
  - altering
  - alterations
2. **The accrual basis of accounting provides a ... picture of the profitability of the business.**
- real
  - really
  - realistic
  - reality
3. **To work ..., an accrual basis accounting requires the use of adjusting entries at the end of each accounting period.**
- succeed
  - successfully
  - successful
  - success
4. **After all adjusting entries have been journalized, the related amounts in the journal ... to ledger accounts by the process of posting.**
- is transferred
  - must be transferred
  - may be transferred
  - transferred
5. **Errors made on the worksheet ... and corrected much more easily than an error in the formal accounting records.**
- may be erased
  - erases
  - is erased
  - erase
6. **A worksheet is a large columnar sheet of paper ... to arrange all the accounting data required at the end of period.**
- designing
  - is designed
  - designed
  - designs



7. All trial balance amounts are not ... correct at the end of period.
- necessarily
  - necessary
  - necessitate
  - necessitated
8. For example, the amounts listed for prepaid expenses are ... overstated.
- normalized
  - normal
  - normally
  - norm
9. An ... basis accounting requires the use of adjusting entries at the end of the accounting period.
- accrual
  - accrued
  - accrue
  - accruals
10. The related amounts in the journal must be transferred to ledger accounts by the process of ...
- posted
  - posting
  - post
  - postal
11. One way of ... errors in the permanent accounting records as well as simplifying the work is to use a work sheet.
- avoids
  - avoiding
  - avoidance
  - avoidable
12. The worksheet, after being ..., serves as a mean to prepare financial statements.
- completed
  - completing
  - completes
  - complete

**B. Make another word from the verbs listed in the table below. Write Farsi meanings of the words you made.**

Expect		Debit		Value	
Claim		Discover		Remain	
Arise		Uncover		Affect	
Express		Expect		Place	
Cause		Define		Affect	
Detail		Form		Term	
Simplify		Format		Result	
Base		Mention		Change	
Describe		Credit		Serve	
Examine		Cover		Invest	
Take		Answer		Purchase	
Table		Value		Render	
Telephone		Classify		Clean	
Utilize		Report		Borrow	
Expend		Derive		Finalize	
Rent		Customize		Note	
Last		Rule		Maintain	
Journalize		Need		Record	

### TRANSLATION PRACTICE

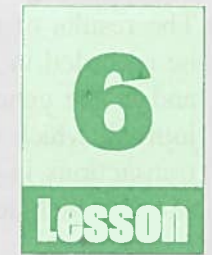
**A. In the table below, are several phrases. Translate them into Farsi.**

For purposes of measuring income  
 preparing financial statements  
 the life of a business  
 a series of accounting periods  
 the financial statements of successive periods  
 to identify significant trends  
 measuring the net income  
 relatively short accounting periods  
 the revenue or expenses of more than one period  
 The purpose of these entries  
 the appropriate amounts of revenue and expense  
 the portion of their advance receipts  
 the revenue or expense of more than one accounting period

**B. Translate the passage given into Farsi. Give your translation a title. Note that the main verb in each sentence is underlined.**

For purposes of measuring income and preparing financial statements, the life of a business is divided into a series of accounting periods. This practice enables decision-makers to compare the financial statements of successive periods and to identify significant trends. But measuring the net income of relatively short accounting periods poses a problem: some transactions affect the revenue or expenses of more than one period. Therefore, adjusting entries are needed at the end of each period. The purpose of these entries is to assign to each period the appropriate amounts of revenue and expense. For example, magazine publishers often sell two or three year subscriptions to their publications. At the end of each accounting period, these publishers make adjusting entries recognizing the portion of their advance receipts earned during the current period. In summary, adjusting entries are needed whenever transactions affect the revenue or expense of more than one accounting period. These entries assign revenues to the periods in which they are earned, and expenses to the periods in which the related goods or services are used. In theory, a business could make adjusting entries on a daily basis. But as a practical matter, these entries are made only at the end of each accounting period.

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# ACCOUNTING CYCLE

In order to provide useful information by means of financial statements to decision-makers, all financial transactions and events of an economic entity must be accounted for on a day-to-day basis. This is achieved through the accounting procedures called *accounting cycle*. The accounting cycle involves ten steps as described below.

### Identifying and Recording Transactions and Events

Before recording transactions, accountants must decide what transactions and events are to record. In accounting practice, those transactions and events that are of financial nature and are objectively measurable are qualified for being recorded. Accountants must then analyze financial transactions and events in terms of increases or decreases in the elements of financial statements. These elements comprise the *basic accounting equation*, which, in expanded form, is as follows:

$$\text{Assets} = \text{Liabilities} + \text{Capital} + \text{Revenues} - \text{Expenses} - \text{Withdrawals}$$

### Journalizing

The results of analyzing transactions and events from the first step must be recorded in special journals, like sales journal or cash receipts journal, and in the general journal as well. This process is called *journalizing*. A journal, which is a book of original entry, keeps a chronological track of transactions in one place and contains journal entries. Each journal entry shows which accounts are debited and or credited as a result of analyzing transactions.

### Posting

The items entered in a general journal must be transferred to the *general ledger* or *subsidiary ledger* accounts by a process called *posting*. The general ledger is a collection of the entire asset, liability, capital, revenue, and expense accounts. To keep track of data posted from general journal to the ledger, the reference column of both journal and ledger must be cross-referenced. The posting process is completed when all of the posting reference numbers have been recorded opposite the account titles in the journal.

### Preparing Trial Balance

*Trial balance* is a list of all the accounts and their debit and credit figures and balances. To prove the equality of debits and credits that have been posted to the ledger accounts, a trial balance is prepared. Trial balance also uncovers errors in journalizing and posting and is useful in preparing financial statements. However, this equality of debits and credits in the trial balance does not prove that all transactions have been recorded or that the ledger accounts are correct.

### Making Adjusting Entries

At the end of fiscal year, the amounts listed in the trial balance are not necessarily correct because the elements of accounting have changed during the year but changes are not recorded on a daily basis. According to accrual basis of accounting, revenues must be recorded in the period in which they are earned and expenses must be recorded in the period in which they are incurred. This, in turn, affects the amounts for assets, liabilities, and capital. Thus, adjusting entries are needed to ensure that revenue recognition and matching principles are followed; and assets, liabilities, and owner's equity are correctly measured. Adjusting entries can be classified as either *deferrals* or *accruals* as shown below:

Deferrals	Accruals
1. Prepaid Expenses. Expenses paid in cash and recorded as assets before they are used or consumed.	1. Accrued Expenses. Expenses are incurred but not yet paid in cash or recorded.
2. Unearned Revenues. Revenues received in cash and recorded as liabilities before they are earned.	2. Accrued Revenues. Revenues are earned but not received or recorded.

### Preparing Adjusted Trial Balance

After all adjusting entries have been journalized and posted; another trial balance is prepared from the ledger accounts. This second trial balance, which shows the balances of all the accounts, including adjusted accounts, is called *adjusted trial balance*. Some accountants prefer to work up adjusting the accounts on a worksheet first, and then from the worksheet adjusting entries are journalized and posted. In this manner, the two steps (adjusting the accounts and preparing adjusted trial balance) are combined together on the worksheet. It should be noted that the preparation of a worksheet is not required but optional.

### Preparing Financial Statements

Adjusted trial balance is a useful document in preparing financial statements. It contains the names and balances of all asset, liability, capital, revenue, and expense accounts. As the first step, from the revenue and expense accounts, an income statement is prepared and net income or loss for the period is determined. As the second pace, an owner's equity statement is prepared by adding to or deducting from the beginning balance of the owner's capital account net income or loss and subtracting amounts the owner withdrawn during the period. The result is the balance of capital account at the end of period that should be used in preparing the balance sheet along with the rest of the accounts on the worksheet.

### Closing Nominal Accounts

Revenue and expense accounts summarize in an income statement the results of operations of a business enterprise for a given period of time. This means that a blank set of revenue and expense accounts is needed for the next accounting period. Therefore, income statement accounts, which are called *temporary* or *nominal accounts*, must be closed at the end of the fiscal year. To close these unreal accounts, their balances must be

reduced to zero through journalizing and posting the *closing entries*. In preparing the closing entries, a suspense account titled *Income Summary*, is used for summarizing data in the revenue and expense accounts. In addition, withdrawal account that contributes to changes in the owner's equity must also be closed to owner's capital account.

### Preparing Post-Closing Trial Balance

After the completion of closing process, a third trial balance is prepared. This final trial balance, which is called *post-closing trial balance*, shows that equal debits and credits have been posted to Income Summary account and to the owner's capital account. The post-closing trial balance consists only of assets, liabilities, and capital accounts. These accounts are called *real or permanent accounts* and comprise the balance sheet at the end of accounting period.

### Making Reverse Entries

After the financial statements have been prepared and the books have been closed, it is often helpful to reverse some of the adjusting entries at the beginning of the next period before starting to record the regular transactions. Such entries are called *reversing entries*. A reversing entry made at the beginning of the next period is the exact opposite of the related adjusting entry made in the previous period. The aim of the reversing entries is to simplify the recording of transactions in the next accounting period.

## COMPREHENSION PRACTICE

### A. Short-Answer Questions:

1. What are the elements of the accounting equation in expanded form?
2. Adjusting entries are classified into four types. What are they?
3. Which group of accounts must be closed at the end of the period?
4. When do accountants prepare a post-closing trial balance?
5. Which book of the company shows all aspects of transactions in one place?
6. Which book is called the book of original entry?
7. What is the aim of a reversing entry?
8. How many steps does the accounting cycle involve in?
9. Which book is a collection of all the accounts of a company?
10. When is the posting process complete?
11. How do you define journalizing?

### B. True-or-False Statements:

1. The effects of transactions on accounting equation are expressed in terms of increases or decreases in the elements of equation.
2. Journal is a book, which contains all of the accounts.
3. Trial balance gives assurance that all entries are correct.
4. Financial statements are prepared using the data from adjusted trial balance.
5. A reversing entry made at the beginning of the next period is the exact adjusting entry made in the previous period.
6. Simplification of the recording of transactions in the next accounting period is the main objective of the reversing entries.
7. The post-closing trial balance consists of permanent accounts.
8. An expense account is a permanent account.
9. Real or permanent accounts must be closed at the end of fiscal year.
10. Temporary or nominal accounts are closed to income summary account at the end of each period.

### C. Multiple-Choice Questions:

1. **The reason for adjusting the accounts at the end of period is ...**
  - a. that changes of elements are not recorded on a daily basis
  - b. to ensure that matching and the revenue recognition are followed
  - c. to correct asset, liability, and owner's capital accounts
  - d. all of the above
2. **The ending balance of owner's capital is computed as the ...**
  - a. assets minus liabilities at the beginning of period
  - b. revenues minus expenses
  - c. opening balance of capital minus withdrawals
  - d. opening balance of capital plus net income minus withdrawals
3. **Income Summary account is used for ...**
  - a. preparing the income statement
  - b. adjusting real accounts
  - c. summarizing data in nominal accounts
  - d. closing withdrawal accounts
4. **Nominal accounts ...**
  - a. must be transferred to the new fiscal year
  - b. are income statement accounts
  - c. are also called temporary accounts
  - d. are balance sheet accounts

5. Sales journal and cash journal are examples of ...
- special journals
  - subsidiary ledger
  - general journal
  - general ledger
6. All items below are of permanent accounts, except ...
- owner's capital account
  - prepaid expenses
  - fees earned
  - supplies on hand
7. Analyzing transactions and events in terms of increases and or decreases in the elements of financial statements refers to ...
- journalizing step
  - identifying and measuring transactions
  - posting step
  - preparing financial statements
8. Journalizing means ...
- entering transactions in a general journal
  - entering transactions in ledger accounts
  - transferring amounts from general journal to ledger accounts
  - transferring amounts from general journal to general and subsidiary ledger accounts
9. Which of the following keeps track of data transferred from journal to ledger accounts?
- debits and credits recorded in the accounts
  - debits and credits entered in the journal
  - reference column of both journal and ledger
  - date of transactions
10. Which statement is not correct?
- Adjusted trial balance is prepared after all adjusting entries have been journalized and posted.
  - Adjusted trial balance includes both the accounts that are adjusted and the rest of the accounts.
  - Two steps that are optional to adjust the accounts are adjusting and preparing a post-adjusting trial balance.
  - Accountants adjust the accounts on a worksheet first, and then from the worksheet adjusting entries are journalized and posted.

## WORD-FORMATION PRACTICE

## A. Multiple-Choice Questions:

1. Journal, which is a book of ... entry, keeps a chronological track of transactions in one place.
- origin
  - original
  - originally
  - originate
2. ... to accrual basis of accounting, revenues must be recorded in the period in which they are earned.
- accorded
  - according
  - accords
  - accord
3. It is often ... to reverse some of the adjusting entries at the beginning of the next period.
- helped
  - helpfully
  - helpful
  - helps
4. In preparing the closing entries, an account titled Income ..., is used for summarizing the data in the nominal accounts.
- summation
  - summed
  - summarize
  - summary
5. The post-closing trial balance ... only of assets, liabilities, and capital accounts.
- consists
  - consisting
  - consist
  - consisted
6. Revenue and expense accounts ... in an income statement the results of operations of a business enterprise for a given period of time.
- sum
  - summary
  - summation
  - summarize

7. Trial balance also ... errors in journalizing and posting.
  - a. covered
  - b. discovers
  - c. discover
  - d. discovery
8. The ... column of both journal and ledger must be cross ...
  - a. reference—refer
  - b. refer—reference
  - c. reference—referenced
  - d. referenced—reference
9. A ... entry made at the beginning of the next period is the exact opposite of the related adjusting entry made in the previous period.
  - a. reverse
  - b. reversal
  - c. reversing
  - d. reversed
10. ... the closing entries, an income summary account is used for summarizing the data in the revenue and ... accounts.
  - a. prepare—expense
  - b. preparing—expensing
  - c. preparation—expenses
  - d. to prepare—expense

**B. Find the verbs of the words listed in the table below. Write Farsi meanings of the verbs you found.**

Useful			Financial		
Information			Decision		
Accounting			Basis		
Measurable			Equation		
Expenses			Sale		
Reference			Original		
Collection			Prepayment		
Opposite			Accrual		
Recognition			Preparation		
Loss			Income		
Summary			Entry		

**TRANSLATION PRACTICE**

**A. In the table below, are several phrases. Translate them into Farsi.**

The accounts maintained for the various items on the balance sheet are called permanent (or real) accounts	
the balance of each permanent account is determined	
the numbers reported in the balance sheet as of the end of the period	
The period-ending balance in a permanent account is carried forward into the next accounting period as that period's beginning balance	
Revenues and expenses are, respectively, increases and decreases in balance sheet accounts	
the entity's profit-making activities revenue and expense transactions could be entered directly in the owner's capital account, for good reason this is not done in practice.	
Recording profit-making activities in separate accounts is required to prepare an income statement.	
Also, many of an entity's transactions are earnings transactions requiring several pages of entries every period.	
To avoid mixing data for the earnings transactions, a temporary account is established for each revenue and expense item	

**B. Translate the passage given into Farsi. Give your translation a title. Note that the main verb in each sentence is underlined.**

The accounts maintained for the various items on the balance sheet are called permanent (or real) accounts. At the end of each accounting period, the balance of each permanent account is determined—that is, each account is balanced. These balances are the numbers reported in the balance sheet as of the end of the period. The period-ending balance in a permanent account is carried forward into the next accounting period as that period's beginning balance. Revenues and expenses are, respectively, increases and decreases in balance sheet accounts from the entity's profit-making activities. Although revenue and expense transactions could be entered directly in the owner's capital account, for good reason this is not done in practice. Recording profit-making activities in separate accounts is required to prepare an income statement. Also, many of an entity's transactions are earnings transactions requiring several pages of entries every period. To avoid mixing data for the earnings transactions, a temporary account is established for each revenue and expense item in practice.

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**7**  
**Lesson**

**MERCHANDISING  
ENTERPRISES**

In the previous lessons, the accounting cycle was described for service enterprises. These businesses have one thing in common—they charge a fee for the services they perform. In this lesson, another type of enterprises called *merchandising* or *trading concerns* will be covered.

**Retailers and Wholesalers**

Merchandising enterprises buy and sell goods instead of performing services to earn profit. Merchandising companies that purchase and sell directly to customers are called *retailers*. In contrast, those that sell to retailers are known as *wholesalers*.

**Revenues and Expenses**

The accounting cycle and the steps therein for a merchandising company are the same as for a service enterprise. Accordingly, measuring net income for a merchandising company is conceptually the same as for a service one. In a merchandising company the primary source of revenue is the sale of merchandise, often referred to as *sales revenue* or simply *sales*.

Unlike a service enterprise, expenses for a merchandising enterprise are divided into two categories: 1) *cost of goods sold*, and 2) *operating expenses*. This lesson focuses primarily on accounting for sales transactions and on calculating cost of goods sold because the operating expenses of a merchandising company include many of the expenses found in a service enterprise.

### Sales Revenue

According to the revenue recognition principle, sales revenue is recorded when earned. That is, when the goods are transferred from the seller to the buyer. At this point, the sale transaction is completed and the sale price is established.

To record a sale transaction, an asset account is debited and the revenue account, Sales, is credited for the same amount. If the sale is made for cash, the Cash account is debited and in case of credit sales, the Accounts Receivable is debited. For credit sales, the amount due may not be collected until the next period. Therefore, the sales revenue earned during a particular period may be significantly different from the cash collected from sales during the same period.

### Sales Returns and Allowances

In some cases that goods sold are damaged or defective, of inferior quality, or not in accord with the customer's specifications, the customer may return the goods to the seller for credit if the sale was made on credit, or for a cash refund, if the sale was originally made in cash. This transaction is known as *sales returns*.

As an alternative, the customer may be satisfied with keeping the merchandise if a deduction from the selling price is granted by the seller. This transaction is known as *sales allowances*. Because the reason for granting a discount to the buyer is the poor quality of goods sold, sales returns and sales allowances are usually combined into one contra revenue account, called *sales returns and allowances*.

A credit memorandum is issued by the seller at the time such a transaction occurs to inform customer that a credit has been made to his or her account receivable for a sales return or allowance. The original copy of the credit memo is sent to the customer, whereas the seller uses another copy to record transaction. The journal entry to record such a transaction involves a debit to Sales Return and Allowances and a credit to Accounts Receivable, or Cash if the sale was made in cash.

### Sales Discount

Not all sales' transactions are made for cash. Most of merchandising businesses may follow a policy of credit sales to earn more profit, which requires additional efforts to convert receivables into cash. The terms of a credit sale may offer a cash discount to the customer for the earlier payment of the balance due. This incentive, called *sales discounts*, conveys advantages to both parties. The purchaser saves money and the seller converts the account receivable into cash earlier. The credit term of 2/10, n/30, which is read "two-ten, net thirty", means that a 2% cash discount may be taken on the invoice price if the payment is made within 10 days from the invoice date.

### Cost of Goods Sold

The second factor in determining net income for a merchandising company is the *cost of goods sold*, which may be determined under a perpetual or a periodic inventory system. Regardless of the inventory system used, to determine cost of goods sold, several factors are needed: *cost of goods purchased*, *purchases returns and allowances*, *purchases discounts*, *freight-in charges*, and *inventories on hand*.

### Purchases Returns and Allowances

A sale return and allowance on the seller's books is recorded as purchases returns and allowances on the books of purchaser. The nature of this is exactly the same as with the seller. *Purchases Returns and Allowances* is a contra purchase account and its normal balance is credit.

### Purchases Discount

Credit terms may permit the buyer to claim a cash discount for the prompt payment of a balance due. The buyer calls this discount *purchases discounts*. Like sales discounts, purchases discount is based on the invoice cost less returns and allowances, if any. As in the case of purchase returns and allowances, purchases discount is a contra account to purchases.

### Transportation Charge

*Freight charges* are part of cost of purchases. Therefore, the sales agreement should indicate which party is to pay the cost of transporting goods to the buyer's place of business. Freight terms are expressed as either *FOB shipping point*, or *FOB destination*. The letters FOB stands for *Free On Board*. Thus, FOB shipping point means that goods are placed free on board of the carrier by the seller and the buyer pays the



freight costs. Conversely, FOB destination means that the goods are placed free on board at the buyer's place of business, and the seller pays the freight.

### Inventories on Hand

To determine the cost of inventories on hand, it is necessary to take a physical inventory, which involves the followings: Computing the number of units on hand, and applying the unit costs to units on hand for each item in the inventory. Determining unit costs requires application of an inventory costing method. The most common inventory costing methods are first-in, first-out; last-in, first-out; moving average; and specific identification.

HP Electronic Co. Income Statement For the year ended Dec. 31, 2008			
Sales revenue:			\$480,000
<b>Sales</b>			
Less: sales return and allowances		\$12,000	
Sales discounts		<u>8,000</u>	
<b>Net sales</b>			<u>460,000</u>
Cost of goods sold:			
Inventory, January 1			36,000
Purchases		\$325,000	
Less: purchase return and allowances	\$10,400		
Purchase discounts	<u>6,800</u>	<u>17,200</u>	
<b>Net purchases</b>			<u>307,800</u>
Add: freight-in		<u>12,200</u>	
<b>Cost of goods purchased</b>			<u>320,000</u>
Cost of goods available for sale			356,000
Inventory, December 31			<u>40,000</u>
<b>Cost of goods sold</b>			<u>316,000</u>
<b>Gross profit</b>			<u>144,000</u>
Operating expenses:			
Store salaries		45,000	
Rent		19,000	
Utilities		17,000	
Advertising		16,000	
Freight-out		<u>17,000</u>	
<b>Total expenses</b>			<u>114,000</u>
<b>Net operating income</b>			<u>\$30,000</u>

### Income Statement

An income statement for a merchandising enterprise is shown. Remember that operating expenses are the same as with a service company except for the freight-out expense. You should also keep in mind that the balance sheet for a merchandising enterprise is similar to the balance sheet for a service firm, except for the inventory item.

You should remember from lesson 2 that an income statement can be prepared using two formats. The income statement of HP Electronic Company is based on a multiple-step format because it arrives at net income in several stages (i.e., multiple steps).

### COMPREHENSION PRACTICE

#### A. Short-Answer Questions:

1. What do merchandising enterprises do?
2. How do retailers differ from wholesalers?
3. Name two contra revenue accounts for merchandising enterprises.
4. What is the difference between sales return and sales allowances?
5. What does it mean by the term credit 3/20-n/60?
6. What factors are needed to compute cost of goods sold?
7. What does FOB stand for?
8. In a FOB shipping point purchase agreement, which party must pay the freight charges?
9. What are the two systems of inventories?
10. Name four accepted methods of inventory pricing.
11. Which items of the balance sheet for a merchandising enterprise differ from that of a service firm?

#### B. True-or-False Statements:

1. Merchandising enterprises buy and sell goods as well as performing services to earn profit.
2. According to the revenue recognition principle, sales revenue is recorded when the goods are transferred from the seller to the buyer.
3. When a customer returns damaged goods to the seller, this transaction is known as a sales return.
4. The terms of a credit sale may offer an incentive, called sales discount, which conveys advantages to both parties.
5. FOB shipping point means that goods are placed free on the place of buyer's business and the buyer pays the freight costs.

6. Wholesalers are those merchandising enterprises that sell goods to those enterprises that sell merchandise to customers.
7. Expenses of a merchandising firm differ from that of a service firm with regard to operating expenses.
8. If a customer is satisfied with keeping damaged goods for a reduction in selling price, the seller records discount granted as a sales allowance.

### C. Prepare Income Statement:

Presented below are some of the accounts' balances of XYZ Company at the end of December 2008. Prepare an income statement.

	<u>In 000 US dollars</u>
Sales revenue	98
Purchases	32
Freight-in	2.5
Sales returns	3.5
Sales discounts	4.1
Purchases discounts	1.3
Beginning inventory	8
Ending inventory	11
Sellers wages	15
Store rents	10
Deprecations	6
General expenses	7
Delivery charges	3
Other expenses	1.5

### D. Multiple-Choice Questions:

1. **Buying and selling goods is the feature of ... enterprises.**
  - a. service
  - b. merchandising
  - c. manufacturing
  - d. governmental
2. **A contra account to sales that normally has a debit balance is ...**
  - a. trade discounts on sales
  - b. sales returns and allowances
  - c. quantity discounts on sales
  - d. cash purchases discounts

3. **Which of the following is recorded in the sales returns and allowances account?**
  - a. trade discounts
  - b. cash discounts
  - c. defective goods returned
  - d. quantity discounts
4. **A credit sale of \$850 is made on June 13, terms 2/10, net/30, on which a return of \$50 is granted on June 16. The amount received as payment in full on June 23 is ...**
  - a. \$833
  - b. \$800
  - c. \$784
  - d. \$850
5. **In determining cost of goods sold ...**
  - a. freight-in is added to net purchases
  - b. freight-out is deducted from net purchases
  - c. purchase returns are deducted from net purchases
  - d. purchase discounts are deducted from net purchases
6. **The income statement for a merchandising company shows each of the following figures except ...**
  - a. gross profit
  - b. cost of goods manufactured
  - c. operating income section
  - d. a sales revenue section
7. **In a single-step income statement ...**
  - a. gross profit is reported
  - b. cost of goods sold is not reported
  - c. operating income is separately reported
  - d. sales revenues and other revenues and gains are reported in the revenue section of the income statement
8. **If sales revenue are \$400,000, cost of goods sold is \$250,000, and operating expenses are \$60,000, the gross profit is ...**
  - a. \$90,000
  - b. \$150,000
  - c. \$340,000
  - d. \$400,000

9. In a merchandising company, ...
- the primary source of revenue is the sale of merchandise
  - expenses are the same as with a manufacturing company
  - sales revenue is recorded when it is received
  - the accounting cycle is different from a service company
10. When merchandise sold is damaged or defective ...
- the seller may grant a discount to the buyer
  - the goods may be known as sales returns
  - a credit memo is issued by the seller
  - cost of goods sold is adjusted
11. In determining net income for a merchandising company, ...
- purchase returns are deducted from cost of goods sold
  - freight charges are part of cost of purchases
  - cost of goods on hand at the end of period are not considered
  - sales returns and allowances are added to the cost of goods available for sale
12. Which of the followings is not part of cost of goods sold?
- purchase price of goods
  - cash discounts on purchases
  - freight-out charges
  - purchase discounts and allowances
13. Which statement is invalid?
- Merchandising enterprises buy and sell goods instead of performing services to earn profit.
  - Balance sheet for a merchandising enterprise is exactly similar to the balance sheet for a service firm.
  - Determining unit costs requires application of an inventory costing method.
  - Freight charges are part of cost of purchases.
14. The policy of credit sales to earn more profit requires ...
- selling merchandise for cash
  - granting a sale discount to customers
  - offering a cash discount to customers for prompt payments
  - following a credit policy

**WORD-FORMATION PRACTICE****A. Multiple-Choice Questions:**

1. The accounting cycle and the steps therein for a ... company are the same as for a service enterprise.
- merchant
  - merchandise
  - merchandising
  - merchandises
2. Measuring net income for a merchandising company is ... the same as for a service enterprise.
- concept
  - conceptual
  - conceptually
  - conception
3. According to the revenue ... principle, sales revenue is recorded when earned.
- recognition
  - recognizing
  - recognizes
  - recognized
4. Sales agreement should indicate which party is to pay the cost of ... goods to the buyer's place of business.
- transporting
  - transportation
  - transporter
  - transport
5. Merchandising enterprises buy and sell goods instead of ... services to earn profit.
- performs
  - to perform
  - performance
  - performing
6. The purchaser saves money and the seller converts the account receivable into cash ...
- earl
  - early
  - earlier
  - so early

7. As in the case of purchase returns and ..., purchases discount is a contra account to purchases.
  - a. allowances
  - b. allowance
  - c. allowed
  - d. allowing
8. Most of merchandising businesses may follow the policy of credit sales ... more profit.
  - a. to earn
  - b. earnings
  - c. earned
  - d. earns
9. Credit terms may ... the buyer to claim a cash discount for the prompt payment of a balance due.
  - a. allow
  - b. allowing
  - c. allowance
  - d. allowed
10. The terms of a credit sale may ... a cash discount to the customer for the earlier payment of the balance due.
  - a. offering
  - b. be offered
  - c. offered
  - d. offer

*B. Find the verbs of the words listed in the table below. Write Farsi meanings of the verbs you found.*

Service		Additional	
Performance		Regardless	
Profitable		Expression	
Directly		Advisory	
Alternative		Negotiable	
Satisfaction		Depreciation	
Deduction		Operational	
Seller		Destination	
Shipment		Retailers	
Payable		Category	
Quality		Calculation	
Receivable		Different	

**TRANSLATION PRACTICE**

*A. In the table below, are several phrases. Translate them into Farsi.*

Perpetual systems are used	
when management needs information throughout the year	
about inventory levels and gross profit	
Periodic systems are used	
when the primary goals are to develop	
annual data and to minimize	
record-keeping requirements one business often uses	
different inventory systems in accounting for	
different type of merchandise	
Who uses perpetual systems?	
When management or employees need	
up-to-date information about inventory levels	
there is no substitute for	
a perpetual inventory system	
all manufacturing companies	
current information	
their inventories of raw materials	
their production schedules	
many types of low-cost products	
many today's point-of-sale terminals	
and bar coded merchandise	
most high-volume retailers	
now use	
perpetual inventory systems	

TRANSLATION PRACTICE

B. Translate the passage given into Farsi. Give your translation a title. Note that the main verb in each sentence is underlined.

Perpetual systems are used when management needs information throughout the year about inventory levels and gross profit. Periodic systems are used when the primary goals are to develop annual data and to minimize record-keeping requirements. One business often uses different inventory systems in accounting for different type of merchandise. Who uses perpetual systems? When management or employees need up-to-date information about inventory levels, there is no substitute for a perpetual inventory system. Almost all manufacturing companies use perpetual systems. These businesses need current information to coordinate their inventories of raw materials with their production schedules. Most large merchandising companies—and many small ones—also use perpetual inventory systems. In the days when all accounting records were maintained by hand, businesses that sold many types of low-cost products had no choice but to use periodic inventory systems. With many today's point-of-sale terminals and bar coded merchandise, however, most high-volume retailers now use perpetual inventory systems.

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BRANCH OPERATIONS

Business enterprises may establish one or more branches across different districts to increase market share. Costs of organizing a new branch and operating losses during the initial period of operations should be recognized as expenses, not as deferred charges, per AICPA Statement of Position (SOP 98-5).

As a unit of a business enterprise located some distance from the home office, a branch generally carries a stock of merchandise obtained from the home office, makes sales, approves customers' credit, and makes collections on trade accounts receivable. The merchandise of a branch may be obtained exclusively from the home office, or a portion may be purchased from outside suppliers.

The accounting records for branches may be centralized in the home office or may be decentralized so that each branch maintains a complete set of accounting records.

If the accounting records are centralized in the home office, each branch prepares merely daily reports and documents that are used as sources for journal entries in the accounting records of the home office. The branch makes no entry since it has no formal accounting books.

If a branch maintains its own accounting books, it keeps the track of branch transactions from its own side and makes journal entries. However, the home office may record some transactions or events relating to the branch.

### Reciprocal Accounts

The accounting records of a branch include a *Home Office* ledger account that is credited for assets and services provided by the home office, and for branch net income. The Home Office account is debited for any assets and services provided by the branch to the home office or to other branches, and for branch net losses. The Home Office account is thus an ownership equity-type account representing the net investment of the home office in the branch.

A home office maintains a reciprocal ledger account, *Investment in Branch*, which is debited for the assets and other services provided to a branch, and for net income of the branch; it is credited for the assets and services received from the branch, and for branch net losses.

At the end of an accounting period, the balance of the *Investment in Branch* ledger account may not agree with the balance of the Home Office account. In such cases, the reciprocal ledger accounts must be reconciled and brought up to date before combined financial statements are prepared.

### Billing Methods

Merchandise shipped by the home office to branches may be billed at home office cost, at home office cost plus a markup, or at branch retail selling price. A shipment of merchandise to a branch is not a sale. Billing at home office cost attributes the entire gross profit on merchandise sold by a branch to the branch. When merchandise is billed at a price above home office cost (or at branch retail selling price), the valuation assigned to branch inventory at the end of the accounting period must be reduced to cost when combined financial statements are prepared.

### Accounting Records

If merchandise is billed to a branch at a price above home office cost and the perpetual inventory system is used, the home office debits *Investment in Branch* for the billed price of the merchandise. It also credits *Inventories* for the cost of the merchandise, and credits *Allowance for Overvaluation of Inventories: Branch* for the excess of the billed price

over cost. The branch debits *Inventories* and credits *Home Office* at billed prices of merchandise. Sales by the branch are debited to *Cost of Goods Sold* and credited to *Inventories* at billed prices.

If a home office and branch use the periodic inventory system, the home office debits *Investment in Branch* for the billed price of the merchandise shipped. The home office also credits *Shipments to Branch* for the home office cost of the merchandise shipped, and credits any excess of billed price over cost to *Allowance for Overvaluation of Inventories: Branch*.

The branch debits *Shipments from Home Office* and credits *Home Office* at billed price. At the end of the accounting period, the home office reduces (debits) *Allowance for Overvaluation of Inventories: Branch* for the amount of overvaluation applicable to the branch's cost of goods sold and credits the amount of the reduction to the *Realized Gross Profit: Branch Sales* ledger account.

### Cash Transactions

The cash receipts of the branch may be deposited in a bank account of the home office; branch expenses then are paid from imprest cash fund provided by the home office. The imprest cash fund is replenished periodically by the home office. Alternatively, a branch may maintain its own bank account.

### Branch Expenses

A home office generally charges its branches for expenses (such as insurance, interest, property taxes, advertising, and depreciation) incurred for the benefit of the branch. Such expenses must be allocated to branch operations to measure the profitability of each branch.

### Branch Statements

Periodically, branch provides its own financial statements to the home office so that combined statements may be prepared. A separate income statement and balance sheet for each branch may be prepared for use by enterprise management.

The income statement has no unusual features if merchandise is billed to a branch at home office cost. However, if merchandise is billed at a price above cost, the home office must adjust the branch trial balance so that cost of the merchandise sold by the branch is stated at cost to the home office.

A combined balance sheet for home office and branch shows the financial position of the business enterprise as a single entity. In the working paper for combined financial statements, the assets and liabilities of the branch are substituted for the Investment in Branch ledger account included in the adjusted trial balance of the home office. This is accomplished by the elimination of the balances of the Home Office and Investment in Branch reciprocal ledger accounts.

### Inter-branch Transactions

If the home office operates more than one branch, certain transactions such as merchandise shipments may take place between branches. Such inter-branch transactions usually are cleared through the Home Office ledger account. For example, if Arlo Branch ships merchandise with a cost of \$400 to Boone Branch and the periodic inventory system is used, the following journal entries (explanations omitted) are required:

<b>Accounting records of Arlo Branch:</b>		
Home Office	400	
Shipments from Home Office		400
<b>Accounting records of Boone Branch:</b>		
Shipments from Home Office	400	
Home Office		400
<b>Accounting records of home office:</b>		
Investment in Boone Branch	400	
Investment in Arlo Branch		400

The transfer of merchandise from one branch to another does not justify increasing the carrying amount of inventories by the additional freight costs incurred because of the indirect routing. Excess freight costs incurred, as a result of such transfers, is recognized as operating expenses of the home office because the home office makes the decision to transfer the merchandise.

## COMPREHENSION PRACTICE

### A. Short-Answer Questions:

1. What is the main reason for establishing a branch by businesses?
2. Where from does a branch often obtain its merchandise?
3. What is the correct method to account for costs of organizing a new branch per AICPA SOP?
4. What sorts of activities is a branch generally involved in?
5. What are two types of accounting records for branches?
6. What are three methods of charging merchandise shipped by a home office to branches?
7. If merchandise shipments take place between branches, which party clears the inter-branch transactions?
8. What accounts does the home office debit if merchandise is billed to a branch at a price above home office cost?
9. What is the name of a reciprocal ledger account that home office maintains?
10. When merchandise is billed at a price above home office cost, which account must be reduced to cost to prepare combined financial statements?

### B. True-or-False Statements:

1. Excess freight costs incurred as a result of transferring goods from one branch to another, are recognized as operating expenses of the home office.
2. Inter-branch transactions are rarely cleared through the Home Office ledger account.
3. Operating losses during the initial period of branch operations should be recognized as deferred charges.
4. A branch maintains a complete set of accounting records when it uses decentralized accounting records.
5. If a branch maintains its own accounting books, the home office is in charge of recording transactions or events of the branch.
6. The Home Office account is debited for assets and services provided by the branch to the home office or to other branches, and for branch net losses.
7. Billing at home office cost attributes the entire gross profit on merchandise sold by a branch to the branch.
8. The income statement has some unusual features if merchandise is billed to a branch at home office cost.
9. If a branch maintains its own accounting books, it keeps the track of branch transactions from its own side and makes journal entries.

10. The home office also credits Shipments to Branch for the home office cost of the merchandise shipped.

**C. Multiple-Choice Questions:**

1. **The reason for business enterprises to establish branches across region of operation is ...**
  - a. to avoid periodic losses
  - b. to increase market share
  - c. attracting more customers
  - d. distribute more merchandise
2. **Which statement is not true?**
  - a. If a branch maintains its own accounting books, it makes journal entries from its own side.
  - b. When a centralized system is used, branch prepares merely daily reports to be used by home office in accounting records.
  - c. Home office records transactions of branches even if a decentralized system is in use by branches.
  - d. The branch makes no entry when it has no formal accounting books.
3. **The Home Office account is debited when the ...**
  - a. branch receives money from customers
  - b. branch receives money from home office
  - c. branch incurs losses
  - d. home office invests in the branch
4. **All of the following are correct about the home office account except ...**
  - a. It is an ownership equity-type account representing the net investment of the home office in the branch.
  - b. It shows the net investment of the home office in the branch.
  - c. It is a reciprocal ledger account kept in the branch books.
  - d. It is credited for the assets and services received from the branch.
5. **Under a perpetual inventory system, for the merchandise billed to a branch at a price above home office cost, ...**
  - a. the home office debits Investment in Branch for the cost of merchandise
  - b. the home office credits Inventories for the billed price
  - c. the branch debits Inventories for the cost of merchandise
  - d. the branch debits Inventories and credits Home Office at billed prices of merchandise

6. **When a home office and branch use the periodic inventory system, ...**
  - a. the home office credits Shipments to Branch for the home office cost of the merchandise shipped
  - b. the branch debits Shipments from Home Office and credits Home Office at billed price
  - c. At the end of the accounting period, the home office makes no allowance for overvaluation of Inventories
  - d. the home office debits any excess of billed price over cost to Allowance for Overvaluation of Inventories: Branch
7. **About the cash transactions of the branch, all of the following are correct except ...**
  - a. The branch may deposit in the bank of home office any cash receipts from sales.
  - b. The home office may provide the branch with an imprest fund.
  - c. The imprest cash fund is replenished periodically by the branch.
  - d. Branch expenses are then paid from imprest cash fund provided by the home office.
8. **Assuming a decentralized system, at the end of period, ...**
  - a. branch provides its own financial statements to the home office to prepare combined statements
  - b. the home office must adjust the branch trial balance for the home office merchandise overvaluation
  - c. the assets and liabilities of the branch are substituted for the Investment in Branch ledger account
  - d. the home office must adjust the branch ledger accounts
9. **The position of AICPA on accounting for expenditures incurred in organizing new branches and operating losses of initial years of operations is ...**
  - a. to recognize losses in the period but to defer organizing costs
  - b. to defer losses but to recognize organizing costs as expense
  - c. to defer both initial losses and organizing costs
  - d. to recognize both initial losses and organizing costs as expense
10. **The branch ...**
  - a. may use its own books if the accounting system is centralized
  - b. obtains entirely its own inventory from outside suppliers
  - c. makes only sales and collections on trade accounts receivable
  - d. generally obtains a stock of merchandise from the home office



11. **The Home Office account is an equity-type account because ...**
- it is included in the accounting records of a branch
  - it represents the net investment of the home office in the branch
  - it is debited for assets and services sent by the branch to the home office
  - it is credited for assets and services provided by the home office
12. **The balance of the branch merchandise at the end of the period must be reported at home office cost ...**
- whenever merchandise shipped by the home office to branches are billed at home office cost
  - when merchandise shipped by the home office to branches are billed at home office cost plus a markup
  - if merchandise shipped by the home office to branches are billed at branch retail selling price
  - regardless of the billing methods the home office uses to ship merchandise to the branches
13. **The billing methods the home office adopts to ship merchandise to branches depends on ...**
- the inventory system of both home office and branches
  - the accounting records of both home office and branches
  - the policy of the enterprise management to run the business
  - the market situations and the location of the branches
14. **Allowance for Overvaluation of Branch Inventories is needed ...**
- When there is a disagreement between Investment in Branch ledger account and the balance of the Home Office account
  - When merchandise shipped by the home office to branches are billed at home office cost or at home office cost plus a markup
  - When merchandise shipped by the home office to branches are billed at home office cost plus a markup or at branch retail selling price
  - When merchandise shipped by the home office to branches are billed at home office cost or at branch retail selling price
15. **Freight costs of sending merchandise from one branch to another ...**
- is included in the inventory of the transferring branch
  - is included in the inventory of the receiving branch
  - is included in ending inventory of the enterprise
  - is included as operating expenses of the enterprise

**WORD-FORMATION PRACTICE****A. Multiple-Choice Questions:**

1. **Costs of ... a new branch and operating losses during the initial period of operations should be recognized as expenses.**
- organization
  - organizing
  - organize
  - organized
2. **A branch generally holds a stock of merchandise ... from the home office.**
- obtain
  - obtains
  - obtained
  - is obtained
3. **The accounting ... for branches may be centralized in the home office or may be decentralized.**
- record
  - records
  - recordings
  - recorded
4. **The branch makes no entry since it has no ... accounting books.**
- form
  - forms
  - formal
  - formality
5. **The home office may record some transactions ... the branch.**
- relate
  - relates
  - relating
  - relating to
6. **The Home Office account ... for assets and services provided by the branch to the home office or to other branches, and for branch net losses.**
- debit
  - debits
  - is debited
  - debited

7. The Home Office account is an ownership equity-type account ... the net investment of the home office in the branch.
- represent
  - represents
  - representing
  - is representing
8. The merchandise of a branch may be obtained ... from the home office.
- exclude
  - excluded
  - exclusive
  - exclusively
9. The reciprocal ledger accounts must be reconciled and ... up to date before combined financial statements are prepared.
- bring
  - brought
  - bringing
  - is bringing
10. Billing at home office cost ... the entire gross profit on merchandise sold by a branch to the branch.
- attribute
  - attributes
  - attributing
  - attribution
11. If the home office operates more than one branch, certain transactions such as merchandise ... may take place between branches.
- ship
  - ships
  - shipments
  - shipping
12. Inter-branch transactions usually ... through the Home Office ledger account.
- clear
  - is cleared
  - are cleared
  - clears

**B. Find the verbs of the words listed in the table below. Write Farsi meanings of the verbs you found.**

Location		Overvaluation	
Approval		Attribution	
Collections		Ownership	
Exclusively		Shipments	
Suppliers		Maintenance	
Centralization		Prevention	
Service		Needless	
Representative		Separation	
Investment		Avoidance	
Agreement		Dealer	
Elimination		Activation	
Omission		Accordance	
Allowance		Elimination	

### TRANSLATION PRACTICE

**A. In the table below, are several phrases. Translate them into Farsi.**

the selling agency branch accounting	
The first type of the branch	
some local purchases	
goods for sale	
local control over its activities	
the nature of the goods	
separate entity branches	
all of their goods for sale	
make their own local purchases	
a reciprocal account	
The balances on the accounts	
must be equal and opposite	
timing differences	
cash or goods in transit	
All accounting records	
the reciprocal accounts	
the value invoiced	
separate accounting records	
their own local purchases	

TRANSLATION PRACTICE

B. Translate the passage given into Farsi. Give your translation a title. Note that the main verb in each sentence is underlined.

Branch accounting has to deal with two main situations—the selling agency branch, and the autonomous branch. The first type of the branch is supplied with all goods for sale by the head office and is controlled by head office. The autonomous branch, which maintains separate accounting records, may make some local purchases of goods for sale and has some local control over its activities.

A prime objective of the selling agency branch accounting is to assist head office to control the branch. Where possible, goods are invoiced by head office to branch at selling price. This means that the branch has to account back to head office for the value invoiced either in cash or debtors for sales or in stock in hand at the invoiced price. All accounting records are maintained at head office. If the nature of the goods or some other factor prevents the head office from charging goods at selling price, the method of accounting is slightly changed. For the selling agency branches three main accounts are needed: Branch Stock, Branch Mark-up, and Goods Sent to Branch.

Branches that maintain their own accounting records are referred to as “autonomous” or separate entity branches. Such branches may receive all of their goods for sale from head office, but usually have the right to make their own local purchases. The head office and the branch each keep their own books. The relation between them is a reciprocal account. In the head office, there will be a branch account and in the branch, there will be a head office account. The balances on the accounts must be equal and opposite, subject to timing differences caused by cash or goods in transit. All transactions between head office and branch pass through the reciprocal accounts.

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MANUFACTURING ENTERPRISES

A merchandising company buys its inventory in a ready-to-sell condition. Therefore, its cost of goods sold is simply the purchase price of the merchandises it sells. A manufacturing company, in contrast, by itself produces the goods it sells. As a consequence, its cost of goods sold consists of various manufacturing costs, including the cost of materials, workers’ wages, and a variety of other costs relating to the operation of a production facility. Hence, the accounting for manufacturing enterprises is different from a merchandising one in respect to types of inventories and manufacturing costs.

Manufacturing Costs

Manufacturing companies purchase raw materials and convert these materials into finished goods through the process of production. The conversion from raw materials to finished goods results from utilizing a combination of labor and machinery. Thus, manufacturing costs are often divided into three broad categories: *direct materials*, *direct labor*, and *manufacturing overhead*.