

Preface

The word 'accounting' most often conjures up images of boredom. However, the streetwise businessperson realises that accounting has come to be known as the 'language of business' with good reason. Accounting conveys important financial information that is used in the management planning, control and decision-making processes integral to achieving organisational objectives. Some command of this language is a necessity for those who wish to participate in and be in control of these processes.

This text takes the reader through the basics: what accounting information is, what it means, and how it is used. Students examine financial statements and discover what they do and do not communicate. This knowledge will help them gain the decision-making and problem-solving abilities so crucial outside the academic environment. In short, this text is for the benefit of the many who simply want to know 'what the numbers mean.'

The primary objective of the first course in accounting is for students to learn about accounting as an information development and communication function that supports economic decision-making. The knowledge and skills provided by the first course in accounting should facilitate subsequent learning even if the student takes no additional academic work in accounting or directly related disciplines. For example, the course should help students perform financial analysis; derive information for personal or organisational decisions; and understand business, governmental, and other organisational entities.

The authors of this text believe that over the years, many of the textbooks used in the first accounting units have become encyclopaedic and technical. The result has been the teaching of a great deal of accounting detail without having students obtain a 'big picture' of financial statement and accounting information use. One of the objectives of this text is to provide that 'big picture' while meeting the objective for a first course in accounting that teaches analytic and communication skills. As teachers, it is important that we remember that we are developing people and not just a subject. Awareness of graduate attributes focuses the attention marvelously on this. We have adopted the set of graduate attributes developed by the accounting professional bodies as the basis for our contribution to this extra dimension to education. Each question has been tagged with an attribute that it helps develop. Students should be encouraged to focus on that particular attribute when presenting their answers. It is hoped that this frequently-changing emphasis will provide variety, spark and added interest. It is also hoped that the skills developed in this unit will be more transportable to other studies.

We have anecdotal data from students whose academic interests were not in the business field, who benefited from exposure to accounting. They include students from engineering, nursing, fine arts, hospitality, building, law, biomedical science, veterinary science, education and mathematics.

Students who intend to pursue an accounting major will also have to learn the procedures of accounting, which can be taught in courses or with laboratory cases (e.g. practice sets) designed for those students. We believe that this bridge can be relatively easily crossed when a proper understanding of the information content of accounting data has been gained. An appendix has been prepared as a first step to this transition process.

We are of the opinion that these students are bright, intelligent thinkers who deserve a demanding, streamlined and challenging text. Their approach to problems and their ability to think outside the box adds considerably to the learning experience of the more traditional accounting students. We have been mindful of their expectations when modifying chapter-end material. We thank them for the challenges they have posed in the classroom and for their help in reviewing material for this edition.

Organisation and approach

From 2005 Australia will be following International Accounting Standards. We have included the terminology of the future, knowing full well that vestiges of the past will be with us for some time to come. The terms 'Income Statement' and 'Balance Sheet' have been in use for many years, and whilst the more recent use of the terms 'Statement of Financial Performance' and 'Statement of Financial Position' have been used in Australia, the global terms 'Income Statement' and 'Balance Sheet' are used here.

Chapter 1 presents a basic description of accounting and its evolution. Emphasis is placed on developments that have occurred to meet the needs of the users of accounting information and on dispelling the misconception that accounting standards are just a code of rules. The remainder of the text is divided into two major topic areas: financial accounting topics (Chapters 2–10) and management accounting topics (Chapters 11–14).

In presenting these two aspects of accounting, the **spiral approach** is used. In this teaching method, a general sketch is presented, and each chapter fills in a few of the finishing details until the reader possesses the full picture. The spiral approach is based on the belief that students can better navigate a subject matter if they are given a glimpse of the big picture first. Thus the objectives of the course are clear from the beginning, and the student can keep them in sight throughout the learning process.

Following this model, the first chapter of each section outlines the pertinent fundamental relationships and presents appropriate terminology so the student is given an overview before exposure to details. In the following chapters, the fundamentals are elaborated and developed until the picture is sufficiently fleshed out. The focus throughout the presentation is on understanding the meaning of the numbers in financial statements, their relationship to each other, and how they are used in evaluation, planning, and control. In taking the spiral approach, an instructor focuses on the function, not the formation, of the financial statements.

Concluding note

We would like students to use each chapter's learning objectives and 'what does it mean' questions, to take up invitations to visit relative websites, and to use the summary and glossary of key terms and concepts to help manage their learning. With reasonable effort, students can achieve their objective of becoming an effective user of accounting information to support the related, informed judgements and decisions that will be made throughout their careers.

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