Financial Accounting and Reporting

Also by Robin John Limmack

Joint adaptor (with John Boyle) of British edition of Weston and
Brigham's *Managerial Finance*

FINANCIAL ACCOUNTING AND REPORTING

An Introduction

Robin John Limmack

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MACMILLAN

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Preface

This textbook is intended to provide an introduction to the theory and practice of financial accounting and external reporting. Intended readership includes accountancy students in the first year of undergraduate degree and HND programmes together with those students preparing for the foundation examinations of professional accountancy bodies.

The book commences by distinguishing financial accounting from the broader discipline of accountancy. The principal factors leading to the development of current financial accounting practice are then identified.

Chapter 2 introduces the role of financial reporting to the users of financial accounting information, with particular reference to external user groups. The role of external financial reporting is shown to have expanded from the early, narrow, stewardship view of reporting to owners into the much wider role currently claimed for financial reporting as 'the provision of information for users in order to assist them in making economic decisions'.

Thus at the outset accountancy is identified as a 'service' discipline, providing information for users, with the external user group being one such group who are provided with part of their information requirements through the medium of financial accounting statements.

Chapter 3 briefly examines alternative approaches to the development of a theory of accounting, before identifying those concepts and principles which are fundamental to historic cost accounting. Much of the remainder of the text is then concerned with the application of historic cost accounting concepts to the process of asset valuation and income measurement. Wherever relevant, attention is also drawn to the limitations of historic cost accounting. Additionally, Chapter 15 examines alternatives to historic cost accounting within the context of accounting for the effects of inflation.

Throughout the text, emphasis is given not only to the principles of historic cost accounting but also to the application of these principles. The dual aspect of accounting transactions is first introduced in Chapter 4 and then extended into the procedural aspects of a system of double-entry book-keeping in Chapters 5 and 6. Subsequent chapters give emphasis not only to the measurement aspects of accounting but also to the recording aspects.

Chapters 11 to 13 identify the recording and reporting requirements of different forms of business enterprise. Although not an accounting problem

of unincorporated businesses alone, Chapter 11 also examines the features of accounting for VAT. Chapter 13 considers, in particular, the reporting requirements placed on companies by the Companies Acts 1948 to 1981.

All chapters include discussion questions on the text and many chapters also include multiple choice questions as well as comprehensive review problems. A glossary of terms used in the early chapters of the text is included at the end of the book for use by students.

As the final stage of study of the text students are recommended to re-read the first three chapters in order to reconsider the ideas expressed in the light of the subsequent chapters.

A number of colleagues have commented on the book, suggesting amendments and alterations. In particular, Dr Alan Goodacre made detailed comments and suggestions, many of which were incorporated into the text. Thanks are also due to A. C. Storrar and D. P. Stopforth for helpful advice given in various sections and to Elissa, Elenor and Elspeth for secretarial help.

Helpful comments were also received from a number of external reviewers of preliminary and later drafts of the textbook. As with all texts, the author must accept final responsibility for errors whether of commission or omission.

Thanks are due also to John Winckler, the original sponsoring editor, and to Steven Kennedy, Anthea Brodrick, Keith Povey and Keith Eady, who completed this task.

The extract from the 1981 Companies Act included in Appendix A to Chapter 13 is reproduced with the permission of the Controller of Her Majesty's Stationery Office.

Finally, I wish to thank my wife for her patient support and encouragement especially during the typing and editing of the manuscript.

University of Stirling

R. J. LIMMACK

NOTE: A booklet of suggested solutions to many of the end of chapter questions and problems is available to lecturers in accountancy on payment of a small fee. Requests should be addressed to the author at The Department of Accountancy and Business Law, University of Stirling, Stirling, FK9 4LA, Scotland.