



Christopher Nobes

# ACCOUNTING

A Very Short Introduction

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## Accounting: A Very Short Introduction

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Christopher Nobes

# ACCOUNTING

A Very Short Introduction

**OXFORD**  
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# Preface

Accounting is a very large subject. Accounting records are the earliest that we have, so accounting is as old as written history. Managers in corporations and in public sector organizations use internal accounting reports every day. Published financial reporting is done several times a year by tens of thousands of listed companies. The book of rules of International Financial Reporting Standards is over 3,600 pages long this year; and the equivalent book of US rules is much longer. So, as for all the other authors in this series, being 'very short' is a challenge. If my academic or professional colleagues think that I have allotted an absurdly short space to their favourite topic (or omitted it entirely), my excuse is the need for brevity. On the other hand, my colleagues (especially from the accountancy profession) might not see any point in the history which I have included. Fortunately, this book is not intended for my colleagues, but for the intelligent non-specialist. History, of course, aids understanding of the present, and it can be fascinating.

I am grateful for help in making decisions about content to Andrea Keegan and Emma Ma of Oxford University Press. I also acknowledge good suggestions for improvement from anonymous reviewers and from David Alexander (University of Birmingham),

Peter Holgate (PwC), Bob Parker (University of Exeter), and Jim  
Rooney (University of Sydney).

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Royal Holloway (University of London)  
and University of Sydney  
July 2013

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# Chapter 1

## Introduction

### Purpose of the book

If you read the business pages of a newspaper or if you listen to the financial news on the television or radio, you will often hear terms such as 'liability', 'balance sheet', or 'earnings'. These terms turn up in non-financial contexts as well: 'he was more of a liability than an asset'. If you invest in shares, have a building society account, or sit on a committee of a property company which owns your apartment block, you will receive financial statements every year. If you are a manager in a company, a hospital, or a school, you will see accounting information often. This book is designed for you: the intelligent non-specialist.

This book will not turn you into an accountant but it will help you to understand and use accounting information. You will no longer need to feel out-of-depth in conversations that include 'debits', 'pre-tax income', or 'goodwill'. The book will also be a useful introduction to academic or professional study of accounting. The book explains terms when they first appear but, if you get stuck, you can look at the Glossary which explains the key terms.

### Importance of accounting

Wherever archaeologists uncover early remains which contain writing or numerals, what they have found are nearly always