

## Financial Accounting terminology differences

	UK	IASB	Terminology used in this book
Financial statements	Accounts	Financial statements	Financial statements
Balance sheet			
Balance sheet (or statement of financial position)	Balance sheet	Statement of financial position (or balance sheet)	Balance sheet
Current (or fixed) assets	Fixed assets	Non-current assets	Fixed assets
Land and buildings	Land and buildings	Land and buildings	Land and buildings
Plant, equipment and fixtures	Tangible fixed assets	Property, plant and equipment	Tangible assets
Stocks	Stocks	Inventories	Inventories
Work in process (WIP) in manufacturing industries	Work in process (WIP) in manufacturing industries	Work in progress (WIP) in manufacturing industries	Work in process (WIP) in manufacturing industries
Work in progress (WIP) in services, construction or engineering services	Work in progress (WIP) in services, construction or engineering services	Work in progress (WIP) in services, construction or engineering services	Work in progress (WIP) in services, construction or engineering services
Debtors	Debtors	Receivables	Receivables
Trade debtors	Trade debtors	Accounts receivable	Accounts receivable
Bad debts, doubtful debts	Bad debts, doubtful debts	Bad debts	Doubtful accounts
Provision for doubtful debts	Provision for doubtful debts	Allowance for bad debts	Provision for doubtful accounts
Own shares	Own shares	Treasury shares	Treasury shares
Shareholders' equity, Shareholders' funds (or capital and reserves)	Shareholders' equity, Shareholders' funds (or capital and reserves)	Shareholders' equity	Shareholders' equity
Ordinary shares	Ordinary shares	Share capital	Share capital
Preference shares	Preference shares	–	Preference shares
Share premium	Share premium	–	Share premium
Reserves, retained profit, profit and loss account	Reserves, retained profit, profit and loss account	Retained earnings, reserves, accumulated profits (losses)	Retained earnings, retained income
Debts	Debts	Loans	Borrowings
Debenture loan	Debenture loan	–	Bonds, notes payable.
Creditors: amounts falling due after more than one year	Creditors: amounts falling due after more than one year	Non-current liabilities	Long-term liabilities
Creditors	Creditors	Payables	Payables
Creditors: amounts falling due within one year	Creditors: amounts falling due within one year	Current liabilities	Current liabilities
Trade creditors	Trade creditors	Accounts payable	Accounts payable
Profit and loss account			
Profit and loss account, operating profits, non-operating income	Profit and loss account	Statement of comprehensive income (income statement, if presented separately)	Income statement
Turnover	Turnover	Revenue	Sales or sales revenue
Charge	Charge	Expense	Expense
Interest payable	Interest payable	Finance cost	Interest expense
Interest received	Interest received	–	Interest income
Profit	Profit	Profit	Income

(continued)

Table 5.20 (continued)

USA	UK	IASB	Terminology used in this book
<b>Others</b>			
Statement of cash flows	Cash flow statement	Statement of cash flows	Statement of cash flows
Leverage	Gearing	–	Leverage
Stock	Share	Share	Share
Residual value, salvage value, terminal value	Scrap value	Residual value	Residual value
Declining balance method	Reducing balance method	–	Declining balance method
Pay check	Pay slip	–	Pay slip
Corporation	Company	–	Company
Conservatism	Prudence	Prudence	Prudence

## Key points

- The various (and numerous) users of financial statements need to understand the financial information in the same way. For that reason, within each country, local regulations issue generally accepted accounting principles (GAAP) that are called accounting standards or financial reporting standards which include specific principles, bases, conventions, rules and practices necessary to prepare the financial statements.
- The International Accounting Standards Board's main objective is to promote convergence of accounting principles that are used by businesses and other organizations for financial reporting around the world.
- An annual report includes financial data describing the activities of the company.
- Financial statements include, as a minimum, a balance sheet, an income statement and notes to these statements. Additionally, they tend to also comprise a statement of cash flows and a statement of changes in shareholders' equity.
- The several possibilities of presentation that exist for the balance sheet do not affect its generic content.
- There are several ways of presenting an income statement. They all provide the same bottom line.
- For the income statement, the choice between a presentation by nature or by function is always debatable.
- The notes to the financial statements (often called 'footnotes') are an essential component of the information provided through financial statements.
- Notes to financial statements constitute an integral part of the financial statements.