

TENTH EDITION

EFFECTIVE WRITING

A Handbook for Accountants

CLAIRE B. MAY
GORDON S. MAY

Effective Writing

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Preface

Effective Writing: A Handbook for Accountants, 10th edition, is designed to help accounting students and practitioners improve their communication skills. It can be used as a supplementary text for regular accounting courses, as a text in an accounting communication course, or as a text in a business communication or technical writing course when these courses include accounting students. The handbook is also a useful desk reference or self-study manual for accountants in practice.

Effective Writing guides the writer through all the stages of the writing process: planning, including analysis of audience and purpose; critical thinking about the problem to be solved or the job to be accomplished; generating and organizing ideas; writing the draft; revising for readable style and correct grammar; and designing the document for effective presentation. In addition to these basic writing principles, the book covers letters, memos, reports, and other formats used by accountants in actual practice, including email, social media, and other forms of electronic communication. Throughout the text, *Effective Writing* stresses coherence, conciseness, and clarity as the most important qualities of the writing done by accountants.

NEW TO THIS EDITION

- Expanded coverage of writing for the CPA Exam and the CMA Exam, in addition to general principles of effective writing as practiced by professional accountants.
- Assignment material has been extensively revised in all chapters. Many chapters now include exercises labeled “Current Professional Issues” to indicate assignments that are particularly useful in introducing students to current domestic or international issues with which the accounting profession is concerned.
- Chapter 8, Accounting Research
 - Sources for electronic accounting research have been extensively updated.
- Chapter 12, E-Communication and Social Media
 - New to this edition, this chapter covers the impact of electronic communication technology on communications and writing in the accounting profession, including email, texting, instant messaging,

cell phones, use of social media in job searches, and the general impact of social media on the accounting profession. The chapter also covers telephone etiquette.

- Chapter 13, Writing for Exams: CPA, CMA, and Academic Exams
 - This chapter has been revised to cover the new writing requirement on the CMA Exam. Coverage of the CPA Exam has also been expanded.
- Chapter 15, Writing for Publication
 - Revised to cover blogs and responses to online publications

In addition to its focus on effective writing and speaking, *Effective Writing* stresses other “soft skills” accountants need to be successful practitioners, such as the ability to listen attentively, read carefully, think critically, and interact with others in a respectful, professional way. Chapter 16 includes an extensive discussion of listening skills and also discusses the preparation of an oral presentation, including audience analysis and organization of materials, as well as techniques of effective delivery and the use of visual aids.

Effective Writing also includes sections on the ethics of communication. Chapter 1 introduces students to ethical issues related to accounting communication, and Chapter 7 shows them how to use critical thinking skills to resolve ethical dilemmas.

Critical thinking is the focus of Chapter 7, which introduces the principles of critical thinking and shows how careful reasoning can help students and professionals solve accounting problems. The chapter discusses inductive and deductive reasoning, the construction of an argument, and fallacies students will learn to recognize and eliminate.

Another special feature of this book is Chapter 8, which discusses accounting research. Here you will find valuable reference material on such topics as

- Where to find accounting information (including Internet sites)
- How critical thinking can help you solve problems and write persuasive documents
- How to write citations of accounting sources, including the *FASB Accounting Standards Codification*[®] and Internet sources

Chapter 13 covers writing for professional and academic examinations, including the CPA exam and the CMA exam, both of which contain questions requiring candidates to demonstrate their writing ability. Chapter 14 provides additional guidance on writing for employment.

This edition of *Effective Writing* includes many new and revised assignments that reinforce the concepts covered in the text. Some exercises have answers within the text for independent review. The *Instructor’s Manual* contains answers to many other exercises. Most chapters also include topics for writing or speaking assignments. The

assignments, like the illustrations in the text, are concerned with accounting concepts and situations and thus will seem relevant and familiar to those studying and practicing accounting. In addition, many chapters in the 10th edition of *Effective Writing* contain assignments that will introduce students to currently emerging national and international topics affecting the profession. These assignments are labeled “Current Professional Issues” in the chapters.

Effective Writing can be used in conjunction with traditional accounting courses. Instructors can assign cases and topics for research based on the accounting concepts being studied in class, or they can use the assignments provided in this handbook. Students then analyze the accounting problem, research the literature if necessary, and prepare answers according to an assigned format such as a letter, technical memo, formal report, or oral presentation. The handbook guides students toward principles of effective writing and speaking. Instructors can then evaluate students’ performance based on the criteria discussed in the text and the *Instructor’s Manual*.

The *Instructor’s Manual* contains suggestions for everyone wishing to improve the communication skills of accounting students, whether in a regular accounting course or in a course devoted to communication. It includes topics such as motivating students to improve their communication skills, designing assignments, and evaluating performance, as well as chapter commentaries and masters for slides and handouts.

The *Instructor’s Manual* can be downloaded through Pearson’s Instructor Resource Center, online at <http://www.pearsonhighered.com/irc>.

We hope that this book will help those preparing to enter the profession, as well as those already in practice, to achieve greater success through effective communication.

Claire B. May
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Part 1 Communication Strategies

CHAPTER

1 Accountants as Communicators

The ability to communicate effectively, whether through speaking or writing, is essential to success in the accounting profession and in the business world in general.¹ Writing and speaking, interpersonal skills, leadership skills, and the ability to think critically and to listen carefully are sometimes referred to as “soft skills,” as opposed to the “hard skills” of technical knowledge and ability. The major differences among competitors may often be found in the degree to which employees have mastered writing, speaking, and other non-technical skills.

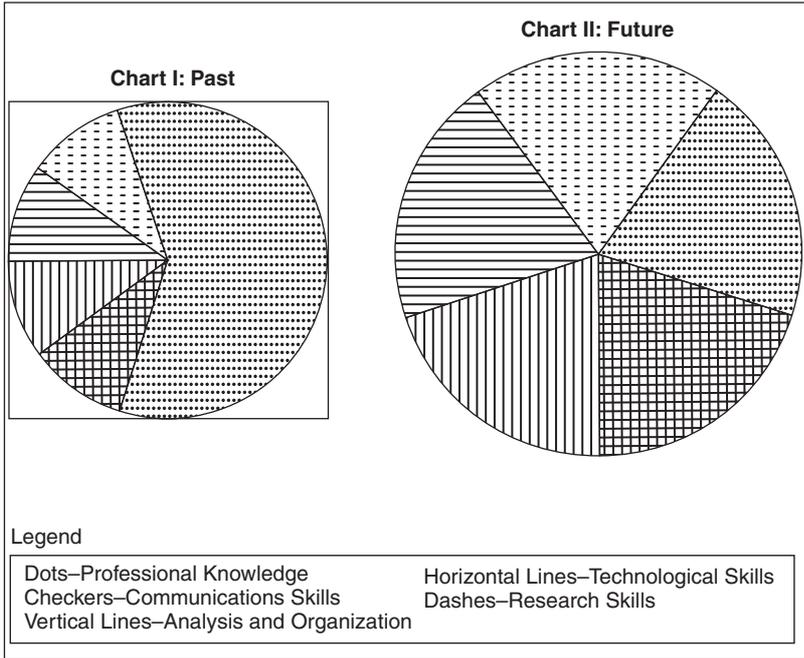
Soft skills are generally regarded as the key to business success and more important than technical accounting skills. One highly successful accountant has pointed out the importance of both writing and thinking:

Some of the smartest accountants I have ever known are not the ones who knew standards backwards and forwards, but the ones that knew how to write and think.²

These skills are especially important in today’s global environment. According to the International Accounting Education Standards Board (IAESB), successful accountants must be able to “present, discuss, report and defend views effectively through formal, informal, written and spoken communication; and . . . listen and read effectively.”³

As you can see, to achieve your career goals in accounting, you may need to improve your communication skills. The American Institute of Certified Public Accountants (AICPA) believes that communication skills are now and will continue to be as important as professional knowledge, analysis and organization skills, technological skills, and research skills—all of which are essential for entry-level accountants (Figure 1–1). Among the personal attributes listed by the AICPA for competency in public accounting is “effective business writing.” An AICPA report says that the writing of entry-level professionals should demonstrate standard grammar, appropriate style and tone, logical organization, clarity, and conciseness.⁴

FIGURE 1-1 Knowledge and Skills Required of Entry-Level CPAs



Source: American Institute of Certified Public Accountants, Briefing Paper No. 2, *Computerizing the Uniform CPA Examination—Issues, Strategies, and Policies: An Update*, 5 March 2001.

Effective writing skills are essential for accountants in all areas of professional practice, including managerial accounting. The IMA (formerly known as the Institute of Management Accountants) has stated that “written communication is a critically important skill set for the management accountant and for the effective functioning of accounting and finance teams.”⁵

So to be successful as well as competent, accountants must be good communicators, showing that they can use words effectively. Many colleges and universities now stress effective writing in accounting coursework. The AICPA evaluates candidates’ writing skills on the CPA exam,⁶ and the IMA evaluates writing skills on the CMA exam.⁷

Unfortunately, some students and accountants lack the skills they need to be effective communicators. Accounting firms are on record as being dissatisfied with the communication skills of entry-level accountants,⁸ and a high percentage of accounting firms have reported poor writing skills as one reason for job terminations.⁹

Accountants need communication skills to get a good job and to keep that job after they are hired. Of course, “communication skills” is a broad area that includes formal and informal oral presentations,

interpersonal communication, reading, listening, and skills in other related areas, including the ability to think carefully and critically. Ethical issues can also affect communication, both what accountants say and how they say it. Because this text is primarily about writing, we will now look at some of the documents accountants write on the job.

WHAT DO ACCOUNTANTS WRITE?

In every type of accounting practice, writing is an essential part of the job. Whether in public accounting, management accounting, not-for-profit accounting, or government accounting,¹⁰ and whether specializing in tax, auditing, systems, or some other area, accountants write almost every day.

Examples in three specialized areas—tax, auditing, and systems—suggest a few of the many occasions that require accountants to write.

Tax accountants in accounting firms often write memos to other members of the firm that describe the results of their research. These memos become part of the clients' files. A tax accountant might also write a letter advising the client about the best way to handle a tax problem. Tax accountants must also write letters to the Internal Revenue Service (IRS) on behalf of clients, and occasionally may even write a judicial brief.

Auditors write memos to be included in a client's audit files that describe the work done on the audit. They may also write memos to their colleagues to request advice or to report research results. After the audit engagement, auditors may write advisory letters to management that suggest ways to improve accounting and internal control procedures.

Systems specialists write documents for readers with varying degrees of computer expertise. They may write a beginners' guide on how to use a software package or a highly technical report on a complex accounting system application. They may also write a narrative description of an accounting information system, as we will see later in this chapter.

No matter what their specialty, all accountants write memos to their supervisors, subordinates, and co-workers to request or provide information. They also write letters to clients, agencies, and a variety of other readers.

Technical reports and memos, both formal and informal, are also important ways in which accountants communicate. For instance, an accountant working for a corporation might write a report for management on alternative accounting treatments for a particular kind of business transaction. An accountant working for an accounting or business services firm might write a technical memo on how best to handle a client's unusual accounting problem.

Yet another kind of writing prepared by accountants is the narrative portion of financial statements. Footnote disclosures communicate information that users may need to interpret the statements

accurately. Unfortunately, the meaning of some footnote disclosures is not always clear to many financial statement readers. Several years ago, the Securities and Exchange Commission (SEC) issued a “plain English” disclosure rule requiring companies filing registration statements to write those statements in “plain English” so that readers would find them easier to understand. The rule enumerates several principles of “plain English,” including the use of short sentences and clear, concise language.¹¹

Not all professional writing appears on paper. Email is nearly universal, and other forms of electronic communication have become increasingly important in recent years.

To be effective, letters, memos, emails, reports, and other business documents must be well written. How will clients react if, after reading a letter from their CPA, they are still confused about their income tax problem? How will management or one’s supervisors react to a report that is poorly organized and hard to follow?

HOW WELL DO ACCOUNTANTS WRITE?

Earlier we noted that many entry-level accountants lack adequate writing skills, even though the ability to write well is essential for success in the business world. Some people believe the problem is getting worse, in part because we have become an online society in which a large part of everyday communication occurs via email and other forms of electronic communication. Electronic communication often emphasizes brevity over completeness, clarity, or attention to style. Therefore, we are being conditioned to use a type of writing that is not effective in many business situations. Yet even email and other forms of electronic communication can be written effectively, as Chapter 12 of this text shows.

WHAT MAKES WRITING WORK?

What is good writing? The list of tips for writers in Figure 1–2 summarizes many qualities of effective business writing, including the writing done by accountants. These qualities are stressed throughout this text. Let’s examine these tips in a little more detail.

The first tip concerns the *content* of the document. You must know what you are talking about, and the information you give should be accurate and relevant. The second tip is *critical thinking*. You must analyze the issues with which you are dealing, including the questions and concerns of your readers. Can the issues be resolved in more than one way? If so, you will have to evaluate the alternatives carefully.

FIGURE 1-2 Tips for the Effective Writer

1. *Content*: Be sure that the accounting content is correct and complete. Have you addressed all relevant accounting issues?
2. *Critical Thinking*: Think carefully and critically about the issues with which you're dealing. Anticipate questions and objections your readers might raise.
3. *Appropriateness for Readers*: Write the document with a particular reader in mind. Check that issues are discussed on a level the reader can understand. For most documents, it is better to focus on practical, explicit information and advice related to the case you are discussing rather than general accounting theory.
4. *Conciseness*: Write as concisely as possible, given the reader's needs and the issues to be addressed.
5. *Clarity*: Develop a style that is clear and readable. Choose words that convey your meaning with precision and clarity.
6. *Coherence*: Structure the document so that it is coherent. The organization should be logical and the train of thought easy to follow. Summarize main ideas near the beginning of the document, and begin each paragraph with a topic sentence.
7. *Revision*: Revise the document so that it is polished and professional. It should be free of all spelling errors and typos; grammatical errors should not detract from the message.

The third tip for effective writing is to *write appropriately for your readers*. Your writing should be suitable for readers in several ways: It should be written on a level they understand and find meaningful, and it should anticipate and answer their questions.

The fourth tip is *conciseness*. Say what needs to be said in as few words as possible. To keep your writing concise, avoid digressions, unnecessary repetition, and wordiness.

Clarity is the next tip. Write as simply as possible, using words and phrases with which the reader is familiar. To improve the clarity of your writing, choose words that mean precisely what you intend so that your sentences convey only one meaning: the meaning you want to convey. Well-structured sentences also contribute to clear writing.

Coherence is the logical, orderly relationship of ideas. Coherent writing is, simply, writing that is well organized. The flow of thought is easy to follow, and important ideas stand out. To write coherently, you must carefully think through the ideas you want to convey. The ideas must be arranged logically and then written in a way readers can comprehend. Coherence is the sixth tip for effective writers.

The final tip is to *revise* your writing so that it is polished and professional. Documents should look attractive and be free of grammatical and mechanical errors.

EFFECTIVE WRITING: AN EXAMPLE

You will find many examples of the kinds of documents accountants write throughout this text. One such document is the narrative description of an accounting information system (AIS). Figure 1–3 is an example of such a narrative description, in this case the payroll processing system of a hypothetical company, S&S, a small retail business owned by Scott and Susan. This description illustrates many of the characteristics of effective writing introduced here and explained more fully in later chapters of this text.

If you read the description, you will notice that it is organized logically, following the steps of the payroll process, so that the narrative is *coherent*. That is, readers will be able to understand how this system functions. Paragraphs are short and easy to follow. Sentences are *clear* and *concise*. The language is *correct*—written following the conventions of Standard English. The document is also written at a level *appropriate* to the readers, whom we assume to be the owners, managers, and other professionals who work with the payroll system at S&S.

YOU CAN BECOME A GOOD WRITER

With all this talk about the importance of good writing to a successful career in accounting, you may feel overwhelmed or discouraged. Many people believe that they can never become good writers.

A word of encouragement is in order. Virtually anyone who succeeds in college work has the education and the skills to become at least an adequate writer, and probably even a good one. Problems with writing are often the result of two factors, both of which can be corrected: lack of adequate training in writing skills, and lack of self-confidence.

Let's address the latter problem—the poor image some people have of themselves as writers. One reason to be optimistic about your writing ability is that you've already learned quite a bit about how to write from English courses and other writing classes, as well as from personal experience. Most people are better writers than they realize. They have the potential to become even more effective after they've mastered a few strategies such as the ones we'll cover in this text. As you read this text, note the techniques and principles you already use in your writing. Don't lose sight of your strengths while you work to improve the areas that could be better.

Another reason you should be able to write well as an accountant is that you will be writing about topics you understand and find interesting. If you have had unpleasant experiences with writing in courses other than accounting, the problem may have been that you were writing about topics you weren't particularly interested in or didn't

FIGURE 1-3 Narrative Description of Payroll Processing at S&S¹²

When employees are hired, they complete a new-employee form. When a change to an employee's payroll status occurs, such as a raise or a change in the number of exemptions, the human resources department completes an employee change form. A copy of these forms is sent to payroll. These forms are used to create or update the records in the employee/payroll file and are then stored in the file. Employee records are stored alphabetically.

Some S&S employees are paid a salary, but most are hourly workers who record their time on time cards. At the end of each pay period, department managers send the time cards to the payroll department. The payroll clerk uses the time card data, data from the employee file (such as pay rate and annual salary), and the appropriate tax tables to prepare a two-part check for each employee. The clerk also prepares a two-part payroll register showing gross pay, deductions, and net pay for each employee. The clerk updates the employee file to reflect each employee's current earnings. The original copy of the employee paychecks is forwarded to Susan. The payroll register is forwarded to the accounts payable clerk. The time cards and the duplicate copies of the payroll register and paychecks are stored by date in the payroll file.

Every pay period, the payroll clerk uses the data in the employee/payroll file to prepare a payroll summary report for Susan so that she can control and monitor labor expenses. This report is forwarded to Susan, with the original copies of the employee paychecks.

Every month, the payroll clerk uses the data in the employee/payroll file to prepare a two-part tax report. The original is forwarded to the accounts payable clerk, and the duplicate is added to the tax records in the payroll file. The accounts payable clerk uses the tax report to prepare a two-part check for taxes and a two-part cash disbursements voucher. The tax report and the original copy of each document are forwarded to Susan. The duplicates are stored by date in the accounts payable file.

The accounts payable clerk uses the payroll register to prepare a two-part check for the total amount of the employee payroll and a two-part disbursements voucher. The original copy of each document is forwarded to Susan, and the payroll register and the duplicates are stored by date in the accounts payable file.

Susan reviews each packet of information she receives, approves it, and signs the checks. She forwards the cash disbursements vouchers to Ashton, the tax reports and payments to the appropriate governmental agency, the payroll check to the bank, and the employee checks to the employees. She files the payroll report chronologically.

Ashton uses the payroll tax and the payroll check cash disbursement vouchers to update the general ledger. He then cancels the journal voucher by marking it "posted" and files it numerically.

feel qualified to discuss. When you write about subjects you like and understand, it's much easier to write clearly and persuasively.

Finally, you may find it much easier to do the kind of writing recommended in this text because it is simple, direct writing. Some

people believe that they must write in long, complicated sentences filled with difficult, “impressive” vocabulary. In fact, just the opposite is true: Effective business writing is written as simply as possible. It is therefore easier to do.

WRITING AND OTHER FORMS OF COMMUNICATION

Writing is only one of several forms of communication, along with such skills as reading, listening, speaking, and interpersonal communication. In fact, all these forms of communication work together to determine how well a person gives and receives information. Let’s look at how reading, listening, and speaking skills can help you improve your writing.

Reading

Reading affects writing in several ways. Often you will write a memo or letter in response to a written communication from someone else. In public practice, for example, you might write a letter to clients to answer questions they have posed in a letter to your firm. The ability to read the earlier correspondence carefully is essential to an effective response.

Careful reading is also important when you research accounting literature as background for the documents you write. The tax code, government regulations, financial accounting standards, articles in professional journals, and *The Wall Street Journal* are examples of the material you must read to stay informed on accounting issues and procedures. You will need to understand this material and be able to apply it to particular situations.

You will also read information circulated and stored within your own firm or company, such as client files and memos or emails from colleagues. Reading this material carefully will provide many of the insights and facts you need to deal effectively with situations for which you are responsible.

Thus, careful reading, with an understanding of important ideas and key facts, can contribute to effective writing.

Listening

Along with reading, the ability to listen carefully determines how well you receive information from others. On the job, you interact with colleagues, supervisors, subordinates, or clients; at school, you interact with professors and other students. Listening carefully to these people provides important information you can use as the basis of your writing. Listening gives you facts about projects you are working on, along with insights into other people’s expectations and concerns.

In many situations, listening skills contribute to effective writing. Instructions given by the professor in class, interviews with clients,

requests from supervisors, and phone conversations with colleagues are a few examples. In all these situations, attentive listening is necessary to hear what people are saying. It's often a good idea to take notes and, when necessary, ask questions for clarification or additional information.

Careful listening to what others say is often a key ingredient in effective writing. By listening carefully, you learn much about what others know about a situation, what their concerns are, and what they expect from you.

Speaking

Oral communication is one of the soft skills we mentioned earlier as important to success in the accounting profession. Writing and speaking will often overlap in your professional activities. Informally, you may have meetings and conversations to discuss reports or memos you've written. You may use what you've written as the basis for formal oral presentations before a group. You might make a presentation to a board of directors, senior managers, or members of a professional organization.

WRITING AND PROBLEM SOLVING

The nation's largest public accounting firms are unanimous in calling for improved communication skills for those entering the profession. These firms also identify problem-solving skills as essential to successful accounting practice:

Individuals seeking to be successful in the diverse world of public accounting must be able to use creative problem-solving skills in a consultative process. They must be able to solve diverse and unstructured problems in unfamiliar settings. They must be able to comprehend an unfocused set of facts; identify and, if possible, anticipate problems; and find acceptable solutions.¹³

Problem solving requires many skills, such as identifying key issues, researching relevant literature, and thinking critically and analytically. At each step of the problem-solving process, writing can help you reach sound conclusions.

You can generate ideas on a topic by writing down what you know about that topic, as well as what you have yet to find out. The act of writing about a subject can actually help you clarify your thinking. As one wit put it, "How do I know what I think until I see what I say?" There's more truth in this quip than might at first be apparent. Research into how people think and learn has shown that writers often generate ideas and improve their insights into a subject as they write down their thoughts.

Writing can help you solve problems in other ways as well. For example, as you research accounting literature, you take notes. You might also write requests to other people for additional information you need to solve the problem.

Writing that you use to solve problems and make decisions is writing for yourself. After the problems have been solved, or at least clearly defined, you can put your insights and conclusions into writing that will help you and others make decisions. Writing, problem solving, and decision making are often inseparable, interactive processes that are essential to the practice of accounting.

WRITING AND CRITICAL THINKING

We've seen that problem solving and decision making, like writing and other forms of communication, are significant parts of an accountant's job. But before you can solve a problem or make a decision, you need to think carefully and critically about the issues at hand.

What is critical thinking? It can be defined as fair, open-minded thinking that asks appropriate questions and considers all relevant information before reaching a conclusion. A critical thinker considers a situation from multiple points of view and evaluates the pros and cons of an argument before reaching a conclusion. Critical thinkers are careful to avoid errors, or fallacies, in their thinking and analyses. Chapter 7 discusses the critical thinking process in more detail.

Critical thinking and effective writing go hand in hand: As you take notes and write down your ideas about an accounting problem, the issues and alternative solutions will become clearer. This critical thinking becomes important as you prepare to write the final document.

COMMUNICATIONS AND ETHICS

Accounting communication, including writing, may involve ethical considerations as well as critical thinking and problem solving. In fact, these three processes—analyzing ethical and other accounting issues, thinking critically, and solving problems—are often essential components of effective communication.

Ethics may be defined broadly as the standards we use to determine what is right and wrong—a set of moral principles or values that govern how we act. We learn these ethical principles in a variety of ways, from our families, religious communities, schools, or in general from the society of which we are a part. Professional people, including accountants, also acquire ethical standards as part of their professional training.

Accountants must adhere to very high ethical standards as they perform their professional responsibilities. CPAs must follow reporting

rules established by the SEC and other governmental agencies, and they must adhere to ethical standards established by nongovernmental entities such as the Financial Accounting Standards Board (FASB) and the AICPA. In fact, the AICPA's Code of Professional Ethics is a major source of ethical standards for all accounting professionals, not just CPAs. Management accountants also adhere to ethical requirements established by the IMA, as well as by federal, state, and local laws. Individual firms and corporations may also have ethical codes for their employees.

Legal requirements and codes of professional conduct provide standards of ethical behavior for accountants as they perform their professional responsibilities. Yet these laws and codes alone may not always provide enough guidance for specific ethical dilemmas. Accountants sometimes face situations for which ready-made answers are not available. When you are faced with such a dilemma, you will need to think critically about the issues in light of your own personal ethical standards in order to make an ethical decision. Remember, too, that there may be a gap between what is legal and what is ethical. For many years, discrimination against ethnic minorities and women was legal in this country, but such discrimination was never ethical.

Ethical considerations often affect the way we communicate in a professional situation, whether orally or in writing. Remember that accounting is a process of measuring and reporting financial information. Ethical issues can relate to what we say and how we say it. The AICPA's Code of Professional Ethics requires that its members report all the information needed for a user of the information to make a reasonable decision; the Code also requires that financial data not be misrepresented. Thus, information must be reported in an honest, reasonably complete manner. Moreover, the information must be communicated clearly so that users can understand it. Accuracy, clarity, and completeness are all qualities of the ethical communication of accounting information.

Ethics also affects the attitude with which we regard other people, whether the public at large, our clients, or colleagues and co-workers. An important principle here is that other people deserve to be treated with courtesy and respect. Later chapters discuss such ethical considerations as writing with a courteous tone, the respectful use of titles and pronouns, and the need to write clear and concise documents so that readers can find the information they need as quickly as possible. We will also discuss analyzing readers' interests and needs as an essential step in the writing process. Finally, sections of this text that discuss critical thinking and accounting research show how to analyze ethical dilemmas. You will learn how to decide what information to provide, and how to provide it in a way that not only adheres to professional and legal standards, but also shows respect for the people who will use the information.

CONCLUSION

To be a successful accountant, you must master many skills. You must understand and be able to apply accounting principles, of course, but you must also be able to think critically and ethically and to communicate effectively. A competent, ethical accountant who is also a critical thinker and an effective communicator usually is rewarded with professional success.

EXERCISES

Exercise 1–1 [General]

Consider the writing you find in one or two articles in *The Wall Street Journal* or the business section of another major newspaper or magazine. How effective, or ineffective, do you find the writing? If you have trouble reading or understanding what you read, is the problem due to ineffective writing? If you find the material understandable and interesting to read, what qualities of the writing contribute to this effectiveness? You might consider the Tips for Effective Writing in Figure 1–2 as the basis of your evaluation.

Exercise 1–2 [Financial]

Look at some published corporate SEC Forms 10-K or annual reports for the most recent year and evaluate the financial statement disclosures they contain. Find examples of disclosures that are not written as clearly or concisely as they could be and rewrite them to be more clear and concise. Share your results with the class and discuss them. (Hint: You can access many 10-Ks and annual reports on the Internet by following the links to listed companies at the New York Stock Exchange (NYSE) Web site at <https://nyse.nyx.com>.)

Exercise 1–3 [General]

Prepare a written report on why the SEC is so concerned that corporations use “plain English” in their filings and what it is doing about the issue. Among the materials you consult, be sure to look at the following SEC publications, but do not limit your sources to just these:

- *A Plain English Handbook: How to Create Clear SEC Disclosure Documents* at www.sec.gov/news/extra/handbook.htm
- *Updated Staff Legal Bulletin No. 7* at www.sec.gov/interp/legalf/cfslb7a.htm
- *Plain English Disclosure Final Rules* at www.sec.gov/rules/final/33-7497.txt

Exercise 1–4 [General]

Research the topic of “soft skills” and prepare an article for your school’s newspaper on their definition and importance in the accounting and business world.

Exercise 1–5 [Ethics]

Do you believe ethical considerations are an important part of an accountant’s professional responsibilities? Why or why not? Think about this question, and then write notes according to the following outline. Use only the sections of the outline that are relevant to your position on this issue.

1. Ethical considerations are important to accountants because: (list your reasons)
2. Ethical considerations are not very important to accountants because: (list your reasons)
3. Accountants find guidance in making ethical decisions from the following sources: (list the sources you find)

Exercise 1–6 [Managerial]

Management Accounting Quarterly (MAQ) contains articles related to managerial accounting. Search a few recent editions to find an article that may interest you. Critique the writing using each of the Tips for Effective Writing in Figure 1–2. How effective or ineffective do you find the writing? Does the writing style contribute to your understanding of the article? Why or why not? (You can access MAQ on line at http://www.imanet.org/resources_and_publications/management_accounting_quarterly.aspx. Access is on a subscription basis, so you may have to gain access through your school’s library.)

Exercise 1–7 [Auditing]

AccountingWEB (www.accountingweb.com) contains articles related to many areas in accounting including auditing. Search *AccountingWEB* to find an auditing article that may interest you. Critique the writing using each of the Tips for Effective Writing in Figure 1–2. How effective or ineffective do you find the writing? Does the writing style contribute to your understanding of the article? Why or why not?

Exercise 1–8 [Systems]

Smart Brief (www.smartbrief.com/industry/accounting) is a source for newsletters that publish articles on various topics. One of these newsletters is *InfoTech Update*, which addresses topics relating to information technology in accounting. Search *InfoTech Update* on *Smart Brief* to

find an information technology article that may interest you. Critique the writing using each of the Tips for Effective Writing in Figure 1–2. How effective or ineffective do you find the writing? Does the writing style contribute to your understanding of the article? Why or why not?

Exercise 1–9 [Tax]

Journal of Accountancy (published by the American Institute of Certified Public Accountants) and *The CPA Journal* (published by the New York State Society of CPAs) publish articles on many topics of interest to practicing accountants. Search these publications to find an article on tax that may interest you. Critique the writing using each of the Tips for Effective Writing in Figure 1–2. How effective or ineffective do you find the writing? Does the writing style contribute to your understanding of the article? Why or why not?

Exercise 1–10 [International]

The International Journal of Accounting, published by the University of Illinois, contains articles explaining international accounting practices. Search this publication to find an article on international accounting that may interest you. Critique the writing using each of the Tips for Effective Writing in Figure 1–2. How effective or ineffective do you find the writing? Does the writing style contribute to your understanding of the article? Why or why not?

Exercise 1–11 [General]

The chair of the accounting department at your school has asked you to address beginning accounting students at an orientation session. The topic of your presentation is to be “A Competitive Edge: The Importance of Writing Skills for Accountants.” Your purpose is to convince the students to take the need for good writing skills seriously.

Write an outline you can use as a basis for your presentation. As steps in preparing your outline, follow these guidelines:

- Analyze your audience for this presentation. How will you present your topic so that they find it meaningful and interesting?
- Think critically about the objections your audience might raise to your arguments. How will you respond to their objections?
- What material will you include in your presentation? Remember to anticipate your audience’s objections, and the way you will respond. Also remember to arrange your ideas in a logical order.
- Using the guidelines found in Chapter 16—Oral Communication: Listening and Speaking, practice and present your talk. Your instructor may ask you to make your presentation in class. As an alternative, you may ask a few friends to listen to your presentation.

Exercise 1–12 [General]

Assume that the talk you presented for Exercise 1–11 was very successful. In fact, the chair of your accounting department has asked you to write an article based on your talk for the departmental website, which is available to all accounting majors.

Using the guidelines given in Chapter 15—Writing for Publication, write the article.

Exercise 1–13 [Current Professional Issues]

The AICPA has listed fraud control as an emerging professional issue. Read what the institute has to say about “Managing the Business Risk of Fraud” at http://www.acfe.com/uploadedFiles/ACFE_Website/Content/documents/managing-business-risk.pdf. Critique the writing using each of the Tips for Effective Writing in Figure 1–2. How effective or ineffective do you find the writing? Does the writing style contribute to your understanding of the article? Why or why not?

NOTES

1. This is true not only in accounting but also in almost any business occupation including the areas of finance, marketing, and consulting. As pointed out in an article in *Business Week*, even new employees in these areas may have to prepare long reports or presentations as well as shorter forms of writing on the job. See Julie Gordon, “Memo to Students: Writing Skills Matter,” *Business Week*, 26 April 2006. <http://www.businessweek.com/stories/2006-04-25/memo-to-students-writing-skills-matter> (9 April 2013).
2. Don Pfluger of CPA and business advisory firm Gallina as quoted in Bill Carlino, “The new breed of auditors,” *accountingTODAY*, 1 May 2012. http://www.accountingtoday.com/ato_issues/26_5/Auditor-Landes-AICPA-Enron-Worldcom-audit-62448-1.html (9 April 2013).
3. International Accounting Education Standards Board (IAESB), *IES 3: Professional Skills and General Education*. (New York: IAESB, 2004), pars. 13, 17; reprinted in *Handbook of International Education Pronouncements 2010 Edition*. (New York, IAESB, 2010), 48–49.
4. American Institute of Certified Public Accountants, Invitation to Comment, *AICPA Competency Model for the New Finance Professional*. (New York: AICPA, 7 October 1997), 5.
5. William Cordes, Director of Exam Administration for the IMA, personal email (15 May 2013).
6. The Business Environment and Concepts (BEC) section of the exam contains three written communications tasks. See “A Guide to CBT-e: The New 2011 Uniform CPA Examination,” https://www.aicpa.org/BecomeACPA/CPAExam/ForCandidates/HowToPrepare/DownloadableDocuments/New_2011_CPA_exam_guide_to_CBT_e.pdf (9 April 2013).

7. The exam contains two 30-minute essay questions on each of the two parts of the exam. See “Become a CMA®,” www.imanet.org/cma_certification/become_a_cma.aspx (10 May 2013).
8. *The Wall Street Journal*, 16 July 1986, “Words Count,” 1.
9. Alan A. Cherry and Lucy A. Wilson, “A Study of the Writing Skills of Accounting Majors in California” (unpublished study, 1987).
10. In a 2006 survey of its members in government conducted by the AICPA, 80% of respondents indicated written and oral communication skills were essential. See “AICPA Survey—Phase II: Government Members Foresee ‘Brain Drain’ in the Government Workforce,” *Government E-News*, American Institute of Certified Public Accountants, 17 May 2006. http://fmcenter.aicpa.org/NR/rdonlyres/FA53AA12-25AF-4BCC-A25E-4281FCC56DBB/0/GPAC_NEWS_15.pdf (21 May 2007).
11. “Plain English Disclosure.” Securities and Exchange Commission. *Staff Legal Bulletin No. 7(CF)*. www.sec.gov/interp/legal/slbef7.htm (9 April 2013): 1–2.
12. Marshall B. Romney and Paul J. Steinbart, *Accounting Information Systems*, 12th ed., © 2012, p. 53. Reprinted and Electronically reproduced by permission of Pearson Education, Inc., Upper Saddle River, New Jersey.
13. Duane R. Kullberg, William L. Gladstone, Peter R. Scanlon, J. Michael Cook, Ray J. Groves, Larry D. Horner, Shaun F. O’Malley, and Edward A. Kangas, *Perspectives on Education: Capabilities for Success in the Profession* (Big Eight Accounting Firms, 1989), 6.

CHAPTER

The Writing Process: An Overview

Effective writing, like accounting, is a process. One step in the accounting process is to analyze transactions to determine how to record them. Several questions basic to the accounting system underlie your analysis of financial transactions and their treatment. What is the purpose of the information recorded and ultimately reported? Who are the users of this information, and what are their needs? Do the readers expect this information to be presented in a certain form, such as the typical presentations found in annual reports? How can the information be most fairly and effectively presented?

These questions are as important to good writing as they are to good accounting. Planning, which emphasizes both the purpose of the writing and the needs and expectations of the readers, is the first step in the writing process.

In this chapter, we discuss the writing process from beginning to end: planning for purpose and audience, including critical thinking about the issues; gathering information; generating and organizing ideas; drafting; revising; and proofreading. (Figure 2–1 summarizes the steps of the writing process.) You will learn how to apply this process to overcome much of the anxiety you may feel about writing, including the problem of writer’s block. Throughout the chapter, we also discuss how computer technology can help you at every stage of the writing process.

In the previous chapter, we identified seven tips for effective writing that focus on content, critical thinking, appropriateness for readers, conciseness, clarity, coherence, and revision (see Figure 1–2 in Chapter 1). In this and following chapters, we discuss specific guidelines and techniques that will help you achieve these goals.

FIGURE 2–1 The Writing Process

Plan

- Read the assignment or consider the task carefully.
- Analyze the purposes of the document.
- Identify the accounting issues, including different ways those issues might be addressed.
- Analyze the issues from the readers' point of view. What are their interests, needs, and expectations?
- Gather and organize material.

Draft

- Write down your ideas.
- Don't stop to edit.
- Write the parts of the paper in whatever order you want.
- Keep your readers in mind as you compose.

Revise

- Reread the document from the readers' point of view. Is your treatment of the accounting issues fair, thorough, and persuasive?
- Revise the document so that it is clear, coherent, and concise.
- Proofread for grammatical, mechanical, and typographical errors.

GETTING STARTED: IDENTIFYING PURPOSE

One of the first stages in the writing process—analyzing the purpose of the document—is easy to overlook. When you think about purpose, you decide what you want to accomplish with your letter, memo, or other document. Do you want to provide your readers with information about some topic, answer their questions, recommend a course of action, persuade them to do something, or convince them to agree with you on some point?

These are just a few of the purposes a document can have. You should think carefully about the purpose *before* beginning to write. It might be helpful to think of your purpose in terms of three categories: to give information about something, to propose a course of action, or to solve a problem. The purpose of most writing tasks falls into one of these categories, or perhaps a combination of them.

As an example, assume you are the controller for Franklin Electrical Supplies. Franklin is considering purchasing stock in SolLite, Inc., one of Franklin's major suppliers of lighting fixtures. A report on this possible purchase could have any of the following purposes:

- To inform management of the advantages (or disadvantages) of the purchase
- To recommend that Franklin purchase (or not purchase) the stock
- To suggest a way to finance the purchase

The purpose of the report, or of any writing, determines what material it should contain. Consider another example. Your client, Coastal Development, is faced with a lawsuit that could result in a large loss. You might write a letter to Coastal's controller about the disclosure requirements for contingent loss liabilities as a result of pending litigation. In such a letter, you would not discuss gain contingencies or loss contingencies from bad debts. You would analyze the specific purpose of the letter to decide what information was relevant for this situation.

Another way to think about the purpose of a document is to identify the accounting issues it will address. Sometimes these issues are obvious, but at other times you must analyze the situation carefully before all the issues become apparent. For example, a client might seek your help on the best way to record a transaction to minimize income tax liability. As you analyze the transaction, you might become aware of accounting issues that would never occur to the client, such as the need to record the transaction consistently with generally accepted accounting principles (GAAP). You might also become aware of ethical or legal issues that the client had not considered.

Identifying the issues can help you define the purposes of the document you are writing, because one purpose might be to explain the accounting issues in a way your reader can understand.

After you have analyzed your purposes carefully, you should write them down. Be as specific as possible and try to define the purposes in a sentence. This sentence might later become part of the document's introduction.

When you analyze your purpose, *be specific*. Remember that you are writing to particular individuals in a particular situation. Relate the purpose of your writing to these people and their concerns. That is, state the purpose in the context of this specific situation rather than in broad, general terms. In the Franklin Electrical Supplies example, suppose you were writing a report on how to finance the purchase of SolLite, Inc., stock. You would limit your discussion to the financing alternatives available to Franklin that are practical for the company to consider.

Sometimes, to determine the purpose of a document, you need to read previous correspondence on the subject, such as a letter or email from a client. Be sure to read this correspondence carefully, noting important information and questions you've been asked to address. You may also receive an oral request to write something, perhaps from your supervisor. If you receive such a request to write, listen carefully to the directions. If the purpose of the document is not clear, ask questions until you're sure what the document should include.

THINKING CRITICALLY ABOUT THE ISSUES

If the purpose for your writing involves analyzing complex accounting issues, think carefully about your topic as you plan your document, gather information, and write. Sometimes the issues are complex: A problem might have more than one reasonable solution, and some people might disagree with the course of action you recommend. As you plan your writing, keep alternative points of view in mind. Consider not only the reasons for your own opinion, but also the reasons other people might have a different view. How will you support your opinion, and how will you respond to the arguments of people who disagree with you? Critical thinking about the issues throughout the writing process helps ensure that the document you write is persuasive. Your readers will regard you as knowledgeable and fair, and they will take seriously what you write. (Chapter 7 discusses critical thinking in more detail.)

ANALYZING THE READERS

When you are planning a writing task, it is important to consider who the readers will be. A memo on a highly technical accounting topic might be written one way for an accounting colleague, but another way for a client or manager with only limited knowledge of accounting procedures and terminology.

Effective writers analyze the needs and expectations of their readers before they begin to write. In writing a letter or memo, you will probably be writing to a limited number of people, perhaps to only one person. You also know, or can find out, important information about the reader or readers. Again, you must ask certain questions: How much do the readers know about the subject being discussed? What else do they need to know? Have they already formed opinions on the accounting issues? The answers to these questions, and perhaps others, will suggest the level at which you will write, including the terms and procedures you will explain, the background you will provide, and the arguments you will make.

Accountants who deal with the public should be particularly careful in analyzing the needs of their readers. A tax specialist, for example, might have clients with widely varying experience and knowledge of tax terminology. A corporate executive would probably understand such concepts as depreciation and accruals, but a small shopkeeper might not be familiar with this terminology. Business letters to these two clients, even on the same topic, should be written differently.

Consider the readers' attitudes and biases. Are your readers likely to be neutral to your recommendations, or will they need to be convinced? The critical thinking about the issues you have already done

will help you write to your readers in a convincing way. Remember your readers' interests and concerns as you write. How will they benefit, directly or indirectly, from what you propose? How can you present your arguments to overcome their objections and biases? To answer this last question, you must anticipate readers' questions, research the issues, and then organize your arguments into a convincing sequence.

Other important considerations when analyzing your readers' needs and expectations are tone and style. What are their attitudes and biases? Some readers react well to an informal, friendly style of writing, but other readers believe that professional writing should be more formal. Whoever your readers are, remember always to be courteous. Whether you write in a technical or conversational style, all readers appreciate (and deserve) consideration, tact, and respect. Treating your readers with courtesy and respect will help ensure that your writing is ethical, as well as effective.

Word choices also contribute to an effective and responsible writing style. For example, many readers might find the following sentence troubling:

A successful *CEO* will treat *his* subordinates with respect.

Some readers might argue that the choice of pronouns (*CEO/his*) implies a gender bias. Use plural nouns and pronouns so that your language will be more inclusive:

Successful *CEOs* will treat *their* subordinates with respect.

Sometimes your readers will have additional expectations about your documents. In a classroom situation, the instructor usually gives directions about different aspects of your papers, such as format and due date. The instructor expects you to follow these directions. How well you do so usually affects your grade.

Readers' expectations are also important when you write on the job. Managers in some firms expect in-house memos and reports to follow certain conventions of format, organization, and style. If you work for such a firm, your memos and reports will seem more professional—and be more effective—if they are consistent with these expectations.

In fact, meeting readers' expectations might actually be a matter of company policy. Policies often govern how certain documents are written and what procedures they must go through for approval. Many professional services firms do not let new staff members send letters to clients unless a manager or partner first approves them. If you were a new staff member in such a firm, you might draft the client letter, but a manager or partner would review it and possibly ask you to make revisions. Moreover, for certain documents, such as some engagement letters and auditing reports, the actual language used in the letter might be determined by company policy. The partner will expect you to follow these policies with great care.

FIGURE 2-2 Planning a Paper

Consider these questions as you plan the documents you write:

1. Answer after you read and analyze the assignment or consider the task:
 - What are the accounting issues in this case?
 - Are there ethical issues I should consider?
 - What literature will I research to resolve these issues?
 - Who will read this document?
 - What different opinions might readers have about the issues?
 - What are the readers' concerns?
 - What are the purposes of this document?
2. Answer after you research and analyze the case:
 - What are the main points (conclusions) I need to make in this document?
 - What material should I include to make these conclusions clear and meaningful to the reader(s)?
 - How will I support my conclusions and respond to readers' objections?

In the example of the client letter just discussed, there are actually two or three readers: the manager and/or partner who reviews and approves the letter, and the client who receives it. This letter should be written on a technical level that is appropriate for the client, and it should address the client's concerns, but it should also meet the expectations of the manager and partner. Analyzing readers' needs, interests, and expectations is obviously more complex when there are several readers. Think carefully about the different readers and use your best judgment to meet the expectations of them all.

Analyzing readers' needs, expectations, and opinions is an important part of the preparation for writing. Planning, during which you think carefully about both your audience and your purpose, is the first guideline for effective writing. We'll add more to this list throughout the chapter.

1. Analyze the purpose of the writing, the accounting issues involved, and the needs and expectations of the readers.

Figure 2-2 summarizes questions you can ask yourself to help plan your writing.

GETTING YOUR IDEAS TOGETHER

After you have evaluated the purpose of the writing and the needs of the readers, you are ready for the second stage in the writing process: gathering information and organizing the ideas you want to present. This step might be quick and simple. For a short letter, you may not

need to do further research; organizing your ideas may involve only a short list of the main topics you want to include in the letter—perhaps one topic for each paragraph.

For much of the writing you do, gathering information and organizing might be a more complicated process that involves much thought and perhaps some research as well. Let's look at some techniques you can use.

Gathering Information

Before you begin to write the document, be sure you have complete, accurate information. You can check the work that has already been done and then locate new information you'll need.

For many projects, some information might already be available. If you're working on an audit, for example, information might be available from other members of the audit team as well as from the files from the previous years' audits. Explore these sources of information fully. Review the files carefully and, when necessary, talk with the people who have already worked on the project.

Sometimes you might need to do additional research. This task can involve background reading on a technical topic or a careful review of professional standards or law, such as Financial Accounting Standards Board (FASB) publications, the tax code, IRS publications, or SEC publications. As you read this material, take notes carefully and be alert for information that might be helpful when you write. Remember also that accounting issues often have more than one possible solution. As you research, look for material that supports more than one point of view.

This research may require you to interview people who will be affected by the project that you are working on. Suppose you intend to propose in a report a new accounting information system for your company. You can gain important insights into topics your report should cover by talking with the people who would be affected by the proposed system. You can learn what they want the system to accomplish, what they might need to know about it, and whether they have already formed opinions that should be considered when you write your report.

Generating Ideas

After you have gathered the information you need, you are ready to begin the next phase of the writing process: deciding exactly what to say.

If you have not already written your statement of purpose, now is the time to do so. Try to break up the purpose into several subtopics. Suppose the purpose of a client letter is to recommend that the client company update its accounting system. The statement of purpose for this letter could specify the different accounting jobs for which the

expanded system would be useful, outline its major advantages, and respond to questions and objections the client might have.

Another useful technique for generating ideas is brainstorming. With this technique, you think about your topic and write down all your ideas, in whatever order they come to you. Don't worry about organizing the ideas or evaluating them; later, you can consider how these ideas fit into the outline you developed when you analyzed the purposes of the document.

Brainstorming is often easier to do at the computer. As you type in the keywords and phrases that occur to you, the phrases might start to become sentences and the sentences might flow together to become paragraphs. You may find that the faster you record your ideas, the more freely the ideas flow. Thus, using a computer can be valuable when you need to generate ideas quickly.

Arranging Ideas: Organization

After you've decided what you want to say, it's important to consider how best to arrange these ideas so that the readers will find them easy to follow. In other words, it's time to think about how the document will be organized.

Much of the work you've already done will help you decide on the best pattern of organization. You may be able to use your statement of purpose as the basis of your organization, or your paper may be structured so that the readers' major concerns are your principle of organization—that is, each concern might be a major division of your paper. Some documents can be organized according to the accounting issues they address.

When considering all these approaches to organization, and possibly deciding among them, remember this principle: The needs and interests *of your readers* should determine the document's organization. Arrange your ideas in the order that they will find most helpful and easiest to follow. Anticipate when your readers are likely to raise objections or ask questions, and respond to those needs when they are likely to occur.

There are a few other points of organization to consider. First, most writing has the same basic structure: an introduction, a concise summary of important ideas, development of the main ideas, and a conclusion. This structure is shown in Figure 2-3. In later chapters of this handbook, we will discuss more fully this basic structure as it is used for particular kinds of writing.

Another point is that ideas should be arranged in a logical order. To describe how to reconcile a bank statement, for instance, you would discuss each step of the procedure in the order in which it is performed.

Finally, you can often organize ideas according to their importance. In business writing, always arrange ideas from the most to the

FIGURE 2-3 Basic Writing Structure

- *Introduction*: identifies the subject of the document and tells why it was written. Sometimes the introduction also provides background information about the topic or stresses its importance. You may also use the introduction to build rapport with your reader, perhaps by mentioning a common interest or concern or referring to previous communication on the topic.
- *Concise statement of the main ideas*: summarizes explicitly main ideas, conclusions, or recommendations. This part of a document may be part of the introduction or a separate section. It can be as short as a one-sentence purpose statement or as long as a three-page executive summary.
- *Development of the main ideas*: Includes explanations, examples, analyses, steps, reasons, arguments, and factual details. This part of an outline or paper is often called the body.
- *Conclusion*: Brings the paper to an effective close. The conclusion may restate the main idea in a fresh way, suggest further work, or summarize recommendations, but an effective conclusion avoids unnecessary repetition.

least important. Note that this principle means you start with the ideas that are most important *to the reader*.

Suppose you are writing a report to recommend that your firm purchase new software for maintaining its accounting records. Naturally, you will want to emphasize the advantages of this purchase, describing them in the order that is likely to be most convincing to the readers. However, this investment might also have drawbacks, such as the problems involved in converting from the old system to the new one. For your report to appear well researched and unbiased, you need to include these disadvantages in your discussion. You might use the following structure:

- I.** Introduction, including your recommendation
- II.** Body
 - A.** Advantages, beginning with those most appealing to the readers
 - B.** Disadvantages, including, when possible, ways to minimize or overcome any drawbacks
- III.** Conclusion

One final word about organization: After you've decided how to arrange your ideas, it's a good idea to write an outline, if you haven't already done so. Having an outline in hand as you draft your paper will help you keep the paper on track. That way, you'll be sure to include all the information you had planned and avoid getting off the subject.

The guidelines for effective writing can now be expanded:

- 1. Analyze the purpose of the writing, the accounting issues involved, and the needs and expectations of the readers.**
- 2. Organize your ideas so that readers will find them easy to follow.**

WRITING THE DRAFT

The next major step in the writing process is writing the draft. The purpose of this step is to put your ideas in writing. Most writers find that they can write a first draft more easily if they don't try to edit at this stage. Spelling, punctuation, and style are thus not important in the draft. What is important is to write the ideas so that you can later polish and correct what you have written.

If you did your brainstorming at the computer, you may already have parts of your draft if the list of ideas you began with evolved into sentences or paragraphs as you typed.

The outline you have prepared will guide you as you write. However, you may decide to change the outline as you go, omitting some parts that no longer seem to fit or adding other ideas that seem necessary. Feel free to change the outline as you write; when you revise the draft later, you can make sure your thoughts are still well organized.

Although you will use your outline as a guide to the ideas you want to include in your draft, you might find it easier to write the various parts of the document in a different order from the one used in the outline. Some people find introductions hard to write, so they leave them until last. You may also choose to write the easiest sections of your draft first, or you may start writing some parts of the draft while you are still getting the material together for other parts.

One final word of advice on the draft stage: Don't allow yourself to get stuck while you search for the perfect word, phrase, or sentence. Leave a blank space, or write something that is more or less what you mean. You'll probably find the right words later.

REVISING THE DRAFT

The next stage in the writing process is the revision of the draft. In this step, you check your spelling and grammar, polish your style, and make a final check to see that the ideas are effectively and completely presented. As you revise, read the document *from the reader's point of view*.

You'll need to revise most of your writing more than once—perhaps three or four times. The key to revising is to let the writing get cold between revisions; a time lapse between readings enables you to read the draft more objectively and see what you have actually said, instead of what you meant to say. Ideally, revisions should be at least a day apart.

FIGURE 2-4 Examples of Homonyms

See (the verb)	sea (the body of water)
Bear (the animal)	bare (uncovered)
Deer (the animal)	dear (a term of address)
Plane (an airplane)	plain (unadorned)
Break (to divide into parts)	brake (to stop or slow)
Some (a certain amount)	sum (total)
Wood (made from trees)	would (the auxiliary verb)
Eye (what we see with)	I (the pronoun)
Threw (the verb)	through (the preposition)
Know (the verb)	no (negative)
Hour (time)	our (the pronoun)
Write (on paper or a computer)	right (correct)
Their (the pronoun)	there (place)
Which (the pronoun)	witch (the broom rider)
Site (location)	Cite (refer to a source)
Way (direction)	Weigh (determine weight)
So (therefore)	Sew (to stitch with thread)

Another technique is to have a colleague review the draft for both the content and the effectiveness of the writing. Choose a reviewer who is a good writer and evaluate the reviewer's suggestions with an open mind.

Most word processing software has the ability to check the text for grammar problems and certain errors in style, such as sentences that are too long and paragraphs that use the same word too often. The software may also identify some mistakes in punctuation, as well as most misspelled words.

A word of caution about these style analyzers, spell checkers, and grammar checkers—they're not infallible. They can't catch all the weaknesses in your text, and sometimes they flag problems that aren't really there. If you use a computer to analyze your writing, you still must use your own judgment about what changes to make.

Homonyms can cause problems with your writing, for example, but spell checkers and grammar checkers may not find this kind of problem. Homonyms are words that sound the same when spoken aloud, but they have different spellings and meanings. Figure 2-4 shows examples of homonyms that spell checkers or grammar checkers may not recognize.

Another revision technique is to print the document and edit the hard copy by hand. You can then make the revisions in your computer file later. Some writers find that they revise more effectively if they work with a hard copy rather than text on a screen.

The next four chapters of the handbook discuss what to look for when putting your written work in final form.

We now have three guidelines for effective writing:

- 1. Analyze the purpose of the writing, the accounting issues involved, and the needs and expectations of the readers.**
- 2. Organize your ideas so that readers will find them easy to follow.**
- 3. Write the draft and then revise it to make the writing polished and correct.**

THE FINAL DRAFT

After you have polished the style and organization of the paper, you will be ready to put it in final form. Consider questions of document design, such as the use of headings, white space, and other elements of the paper's appearance.

Proofreading is also an important step. Here are some suggestions for effective proofreading:

1. Proofreading is usually more effective if you leave time between typing and looking for errors. You will be able to critique the paper more clearly if you have been away from it for a while.
2. Use your computer's spell check program to eliminate spelling and typographical errors. Remember that the computer program cannot distinguish between homonyms such as *their* and *there* or *affect* and *effect*.
3. In addition to your computer's spell checker, you may also need to use a dictionary to look up any word that could possibly be misspelled, such as words the computer doesn't recognize, or homonyms it may not have flagged. Check also that you've spelled people's names correctly. If you are a poor speller, have someone else read the paper for spelling errors.
4. If you know that you tend to make a certain type of error, read through your paper at least once to check for that error. For example, if you have problems with subject-verb agreement, check every sentence in your paper to be sure the verbs are correct.
5. Read your paper *backwards*, sentence by sentence, as a final proofreading step. This technique isolates each sentence and makes it easier to spot errors you may have overlooked in previous readings.

DEALING WITH WRITER'S BLOCK

Writer's block is a problem everyone faces at some time or another. We stare at blank paper or at a blank screen with no idea of how to get started. The ideas and the words just don't come.

Many of the techniques already discussed in this chapter will help you overcome writer's block. Thinking of writing as a process, rather

than a completed product that appears suddenly in its final form, should help make the job less formidable. Any difficult task seems easier if you break it down into manageable steps.

The discussions of the steps in the writing process, especially the section on writing the draft, included suggestions that will help you overcome writer's block. Here is a summary of these techniques:

1. Plan before you write so that you know what you need to say.
2. Write with an outline in view, but write the paper in any order you want. You can rearrange it later.
3. Don't strive for perfection in the draft stage. Leave problems of grammar, spelling, style, and so forth to the revision stage.
4. Begin with the easiest sections to write.
5. Don't get stuck on difficult places. Skip over them and go on to something else. You may find that when you come back to the rough spots later, they are not as hard to write as you thought.

WRITING UNDER PRESSURE

Throughout this chapter, you've seen how writing is easier if you break the project down into steps. It's easy to manage these steps when you have plenty of time to plan, research, draft, revise, and polish.

What about situations in which you don't have the luxury of time? What about writing essay questions on an exam, or on-the-job writing tasks where you have only a little while to produce a letter or memo?

The truth is that any writing project, no matter how hurriedly it must be done, will go more smoothly if you stick with the three basic steps of the writing process: plan, draft, and revise. Even if you have only a few minutes to work on a document, allow yourself some of that time to think about whom you're writing to, what you need to say, and the best way to organize that material. Then draft the paper.

Allow yourself some time to revise as well. Use a spell check program to help locate embarrassing spelling and typographical errors.

WRITING AND ELECTRONIC MEDIA

Some of the writing you will do as a professional accountant will be for electronic transmission, such as email or other documents that are sent over the Internet. Documents sent electronically should be planned, written, and revised with the same care you would use for hard-copy versions. This may be obvious for formal documents, but even email and instant messaging (IM), which we often send in haste and consider to be extremely informal, requires care in order to be effective. Chapter 12 gives guidance on the use of electronic communication, including advice on the use of email.

HELP FROM COLLEAGUES: CRITIQUING

Once you have improved your document as much as you can, you may have another source of help: constructive feedback from one or more colleagues. If you are preparing an assignment for a course, this help may come from other students in the class. In a job situation, you might ask a colleague to review your writing. You will, of course, be willing to return the favor to your colleagues if they ask you to critique their writing.

Here are some tips for giving helpful critiques:

- Reviews of the writing should be both tactful and honest.
- Always point out strengths of the writing, and then make a few suggestions if you see ways the writing could be improved.
- Make suggestions in positive ways, and be as specific as possible. For example, you wouldn't say, "I can't make any sense of this, and your grammar is deplorable!" Rather, you might say, "Can you explain this concept more clearly? Perhaps shorter sentences would help. Also, you might want to check your verbs."
- Ask the writer if you can write your feedback on the paper itself. Then be prepared to discuss what you liked about the paper, as well as ways it could be improved.
- For specific guidelines on what to look for in the papers you critique, use Tips for the Effective Writer found in Figure 1–2.

If a colleague critiques your writing, here are some things to keep in mind:

- Whenever possible, ask people to critique your writing who are themselves good writers.
- Keep an open mind, and resist the natural temptation to be defensive. On the other hand, remember that final responsibility for the document is yours; you'll decide which suggestions to use. Not all advice, however well intended, is helpful.
- Thank the reviewers for their help.

EXERCISES

Exercise 2–1 [General]

Analyze the letter in Figure 2–5. How would you react if you received this letter?

1. Think about these questions and then discuss them with your classmates:
 - What are the strengths of this letter? (It does have some strengths!)
 - What are the weaknesses of the letter? (Hint: Can you find all the typos and spelling errors? In addition to these problems,

FIGURE 2-5 Letter for Exercise 2-1: What Is Wrong with This Letter?

Wright and Wrongh, CPAs
123 Anystreet
Anytown, US 12345

Corner Dress Shop
123 Anyother Street
Anytown, US 12345

Gentleman

We are in receipt of your correspondence and beg to thank you.

After extensive research we have found what we hope will be a satisfactory response to your questions, we hope you will find our work satisfactory. It is the goal of our firm to alway offer the best, most expert and reliable service possible to all our clients, all of whom are value and with whom we hope to have a lont-term working relationship to our mutual advantage.

There were two possibilities for the resolution of this issue that we considered after a careful analyses of the applicable IRC sections to your situation. If the first possibility proved relevant, then you would be subject to a fine of \$5500, plus penalties and interest. If athe other possibility was the best solution, then you would receive a \$4400 credit because of a loss carryforard to your current year returns. As you no doubt know, IRC Sec.341(6)a [paras. 5-9] stipulate that the regulations we must follow. Thus, to be in compli-ance with the rules and regs. you must follow the provisions of the pertinent sections.

As your CPAs, we are most concerned that we be in compli-ance with all standards of professional ethics, and we always keep this in mind when we advise you on your tax and accounting questions. We don't want to go to jail, and we're sure you don't either!

After extensive research, we advise you to file an amended return immediately because the first possibility enumerated in the above paragraph proves to be the correct solution to your problem.

Thanking you in advance, we remain

Yours with highest regards,

M. Ostley Wrongh

M. Ostley Wrongh
Wright and Wrongh, CPAs

- the letter has a number of less obvious weaknesses. What are they?)
2. Revise the letter so that it is more effective. Invent any details you may need.

Chapter 9 provides information on letter writing.

Exercise 2–2 [General]

You are a member of Beta Alpha Psi (the accounting honorary society) at a major university. A large local high school has contacted your chapter of the honorary society and asked it to prepare a two-page flyer about opportunities provided by an accounting career and the skills (hard and soft) required to succeed both as an accounting student and as an accounting professional. You have been asked by the president of the honorary society, Sandy West, to write the flyer. She has asked that you prepare it in the form of a memo written to her. Write a memo to Sandy West responding to her request. Chapter 10 provides information on writing memos.

Exercise 2–3 [Managerial]

Jim Kakes, CEO of Kakes Manufacturing Company, needs to hire a new controller as the current controller is retiring. Several other CEOs he knows have suggested he look for someone who is a Certified Management Accountant (CMA). Mr. Kakes is not familiar with this designation and has asked you what it is and whether you believe hiring a CMA would be a good idea, given the extra amount he will have to pay in salary,

Write a memo to Mr. Kakes responding to his request. You may wish to consult Chapter 10 for suggestions on memo organization and format.

Exercise 2–4 [Systems]

You are employed by the consulting division of a large professional services firm. Your expertise is in information systems auditing. You have become interested in gaining professional certification in this area and are aware of an organization, ISACA (formerly known as the Information Systems Audit and Control Association and now known by its acronym only) which offers certification as a CISA (Certified Information Systems Auditor). Write a memo to the head of the consulting division, Mr. Robert Sherrill, requesting that your firm provide the funds for you to attain this certification. You should, of course, explain what this credential is and the benefits to your firm of having a CISA on staff. You have researched the possibility and believe you will need approximately \$1,100 to cover the expenses of preparing for and taking the CISA exam.

Chapter 10 provides advice on how to write a memo.

Exercise 2–5 [Managerial/Current Professional Issues]

In 2012, The American Institute of Certified Public Accountants (AICPA) and the Chartered Institute of Management Accountants

(CIMA) entered into a joint venture to offer a new credential, the Chartered Global Management Accountant (CGMA). Write an article for your school's accounting club newsletter discussing this new credential, what its advantages are, and how to obtain it.

Writing for publication is discussed in Chapter 15 of this handbook.

Exercise 2–6 [Auditing]

You are a partner in a medium-size CPA firm and want to convince your partners that the firm should expand the services provided to clients. Specifically, you believe the firm should begin offering *WebTrust* and *SysTrust* services.

Write a memo to your partners to explain what the concepts of *WebTrust* and *SysTrust* services are and why your firm should begin to offer such services. Chapter 10 contains suggestions on memo organization and format.

Exercise 2–7 [Tax]

Your school's accounting honorary society maintains a Web site on which it includes short articles on various accounting topics. The readers of this Web site are primarily other accounting students. The Web master has asked you to write a short article explaining the differences among progressive, proportional, and regressive tax systems, including their relative advantages and disadvantages. Give examples.

Exercise 2–8 [Financial]

For decades, there has been a debate as to whether different GAAP should be established for private companies as opposed to public companies. Often, this has been referred to as the “Big GAAP vs. Little GAAP” controversy. In mid-2012, the Financial Accounting Foundation's board of trustees voted to establish a Private Company Council to determine whether exceptions or modifications to GAAP for privately held companies should be made.

Prepare an outline you can use for a speech to your accounting club on the pros and cons of modifying GAAP for privately held companies. Chapter 16 provides more information on oral presentations.

Exercise 2–9 [International]

For many years, the IFRS (International Financial Reporting Standards) Foundation has worked to develop and promote the adoption of a single set of International Financial Reporting Standards (IFRSs) that are globally accepted. It has done this through its standard-setting body, the International Accounting Standards Board (IASB).

An article in *Accounting Today* entitled “IFRS Foundation Charts IFRS Progress” (<http://www.accountingtoday.com/news/IFRS-Foundation-Charts-IFRS-Progress-67016-1.html>) reported on the first phase of a study by the IFRS Foundation on progress toward global adoption of IFRSs.

Prepare an outline you can use for a speech to your accounting club on the pros and cons of global adoption of IFRSs, the progress made toward global adoption, and prospects for completion of the effort by the IFRS Foundation. Chapter 16 provides more information on oral presentations.

CHAPTER

The Flow of Thought: Organizing for Coherence

Coherence is one of the seven tips for effective business writing discussed in Chapter 1 (see Figure 1–2 in Chapter 1). Coherent writing is organized so that important ideas stand out. The flow of thought is logical and easy to follow.

Chapter 2 introduced several techniques that will help you make your writing more coherent: analyzing the purpose of the document and the reader’s needs, then outlining before you begin to write. This chapter discusses additional ways to ensure coherence in your writing. You’ll learn how to write with unity, use summary sentences and transitions, and structure effective paragraphs and essays.

WRITING WITH UNITY

The key to unified writing is to establish the main idea of each document. An office memo or email may contain only one paragraph, but that paragraph has a central idea. A report might be many pages long, but it still has a central idea or purpose, and probably secondary purposes as well. It’s important to determine your purpose and main ideas before you begin writing, as discussed in Chapter 2.

You should be able to summarize a main idea in one sentence. In a paragraph, this sentence is called the topic sentence. In longer documents involving more than two or three paragraphs, this sentence is called the thesis statement or statement of purpose.

The main idea is the key to the entire document. Any sentences or details that are unrelated to the main idea, either directly or indirectly, are irrelevant and should be omitted. In longer documents, entire paragraphs may be irrelevant to the main purpose. These irrelevant sentences or paragraphs are called digressions.

When you remove digressions and irrelevant sentences, your writing becomes unified; every sentence is related to the main idea.

The following paragraph is not unified. Which sentences are irrelevant to the topic sentence?

(1) Incorporation offers many advantages for a business and its owners. (2) For example, the owners are not responsible for the business's debts. (3) Investors hope to make money when they buy stock in a corporation. (4) Incorporation also enables a business to obtain professional management skills. (5) Corporations are subject to more government regulation than are other forms of organization.

Sentence 1, the topic sentence, identifies the main idea of the paragraph: the advantages of incorporation. Sentences 3 and 5 are off the subject.

Writing with unity is an important way to make your writing coherent.

USING SUMMARY SENTENCES

In coherent writing, the main ideas stand out. You can emphasize your main ideas by placing them in the document where they will get the reader's attention.

First, as Chapter 2 suggested, it's usually a good idea to summarize your main ideas at the beginning of the document. A long document, especially a report, should have a separate summary section at or near the beginning of the paper. This formal summary may be called an abstract, an executive summary, or simply a summary.

When writing these summary sections, be specific and remember the reader's interests and needs. Let's say you are writing a memo to the management of Turnipseed Importers to explain the advantages of an accounting software package that it will use to manage its inventory. You'll need to summarize those advantages specifically and relate them to Turnipseed. One of these advantages might be stated this way: "This software is particularly easy to use because it provides online help for the type of inventory control issues we often encounter with our seed stores. Competing software companies do not offer this type of online support."

The summary at the beginning of a document can be several sentences, or even several pages long, depending on the length of the document and the complexity of the main ideas or recommendations. Here is an example:

The following procedures will ensure a smooth transition to the new software:

- Management should designate a representative from each department to attend the training workshop provided by the vendor. This workshop will be offered on October 15. (Details will be provided later.)

- Each department should plan a training session for its employees to emphasize the department's use of the system.
- A two-week transition period should be allowed for converting from the old system.
- Troubleshooters should be available to all departments to solve any problems that occur.

Summary sentences are important in other places in a document, especially at the beginning of each section and in the conclusion.

Any paper that is longer than three or four paragraphs probably has more than one main idea or recommendation; each of these ideas is suggested in the introduction or in a separate summary section. Often, the logical way to organize the remainder of the document is to use a separate section of the paper to discuss each idea further. Each section should begin with a summary statement to identify the main idea, or the topic, of that section. The reader will then have a clear idea of what that section is about. It's a good idea to use somewhat different wording from that used in the beginning of the paper.

The principle we've been discussing sounds simple: Begin with your conclusion and then give your support. However, many writers have trouble putting this advice into practice. The difficulty may occur because this order of ideas is the reverse of the process writers go through to reach their conclusions. That is, the typical research process would be to gather information first and then to arrive at the conclusions. A writer might try to take the reader through the same investigative steps as those he or she used to solve the problem or answer the question.

Think about your readers' needs. They're mainly interested in the findings of your research, not in the process you went through to get there. They might want to read about the facts you considered as well as your analytical reasoning; in fact, some readers will carefully evaluate the soundness of your data and methodology. However, their first concern is with the conclusions.

Conclusions can be presented again in a concluding section, especially if the document is very long. Once again, you may need to remind the reader of your main ideas, but be careful not to sound repetitive. The length and complexity of the document determine how much detail to include in your conclusion.

RESPONDING TO READERS' QUESTIONS AND CONCERNS

Earlier chapters discussed planning a document so that it responds to your readers' concerns. That is, you anticipate questions they might have as well as objections they might raise to your recommendations.

As you plan the organization of your document, consider the best places to address these concerns. Questions are simple to handle: Anticipate where the readers are likely to have questions and answer them at that part of your paper.

For responses to objections, again, consider where in the document your readers are likely to raise objections, and if at all possible, respond at that part of your paper. Where you place your responses also depends on how many objections there are and how complicated your responses are. Sometimes responses to readers' concerns are better in a separate section of the paper. For example, suppose you are recommending a certain accounting treatment for a transaction, but you realize that your readers might disagree with you. The first part of the document might explain the reasons for your recommendation, and the final part of the document might explain the disadvantages of other treatments.

TRANSITIONS

Transitions, which are another element of coherent writing, link ideas together. They can be used between sentences, paragraphs, and major divisions of the document. Transitions show the relationship between two ideas: how the second idea flows logically from the first, and how both are related to the main idea of the entire document.

As an example of how transitions work, consider this paragraph. The topic sentence (main idea) is the first sentence; the transitional expressions are in italics:

(1) Financial statements are important to a variety of users. (2) *First*, investors and potential investors use the statements to determine whether a company is a good investment risk. (3) These users look at such factors as net income, the debt-to-equity ratio, retained earnings, and economic value added (EVA). (4) *Second*, creditors use financial statements to determine whether a firm is a good credit risk. (5) Creditors want to know whether a firm's cash flow is large enough and sufficiently timely to pay its debts. (6) *Third*, government agencies analyze financial statements for a variety of purposes. (7) *For example*, the Internal Revenue Service wants to know whether the company has paid the required amount of taxes on its income. (8) These examples of financial statement users show how diverse their interests can be.

The sentences beginning *first* (2), *second* (4), and *third* (6) give three examples of the paragraph's main idea: the variety of financial statement users. These three sentences relate to one another in a logical, sequential way, which the transitions make clear. These sentences also relate directly to the topic sentence; they illustrate it with specific examples. Sentence 7, which begins with *for example*, relates only indirectly to the main idea of the paragraph, but it relates directly to

sentence 6. Sentence 7 identifies one reason why government agencies need access to financial statements.

Transitions can express a number of relationships between ideas. In the sample paragraph, the transitions indicate an enumerated list (2, 4, and 6) and a specific illustration of a general statement (7). Transitions can also imply other relationships between ideas—conclusions, additional information, or contrasts, for example.

To see the importance of transitions within a paragraph, look at the following example, which lacks transitions:

Incorporation offers several advantages to businesses and their owners. Ownership is easy to transfer. The business is able to maintain a continuous existence even when the original owners are no longer involved. The stockholders of a corporation are not held responsible for the business's debts. If the Dallas Corporation defaults on a \$1,000,000 loan, its investors will not be held responsible for paying that liability. Incorporation enables a business to obtain professional managers with centralized authority and responsibility. The business can be run more efficiently. Incorporation gives a business certain legal rights. It can enter into contracts, own property, and borrow money.

Now see how much easier it is to read the paragraph when it has appropriate transitions:

Incorporation offers several advantages to businesses and their owners. *For one thing*, ownership is easy to transfer, and the business is able to maintain a continuous existence even when the original owners are no longer involved. *In addition*, the stockholders of a corporation are not held responsible for the business's bad debts. If the Dallas Corporation defaults on a \$1,000,000 loan, *for example*, its investors will not be held responsible for paying that liability. Incorporation *also* enables a business to obtain professional managers with centralized authority and responsibility; *therefore*, the business can be run more efficiently. *Finally*, incorporation gives a business certain legal rights. *For example*, it can enter into contracts, own property, and borrow money.

Transitional Words and Phrases

Following is a list of commonly used transitional expressions, their meanings, and example sentences showing how some of them work.

- **Adding a point or piece of information:** *and, also, in addition, moreover, furthermore, first/second/third, finally.*

Example: We appreciate the opportunity to conduct your audit this year and will send you a detailed schedule of our work next week.

- **Making an exception or contrasting point:** *but, however, nevertheless, on the other hand, yet, still, on the contrary, in spite of . . . , nonetheless.*

Example: Most of our divisions showed a profit his quarter. However, the Houston division was not so successful.

- **Giving specific examples or illustrations:** *for example, for instance, as an illustration, in particular, to illustrate.*

Example: Financial statements serve a variety of users. For example, investors use them to evaluate potential investments. Other users include . . .

- **Clarifying a point:** *that is, in other words, in effect, put simply, stated briefly.*

Example: The basic accounting equation is assets equal liabilities plus owners' equity. That is, $A = L + OE$.

- **Conceding a point to the opposite side:** *granted that, it may be true that, even though, although.*

Example: Although upgrading our equipment will require a large capital outlay, increased efficiency will more than justify the use of funds.

- **Indicating place, time, or importance:**

Place: *above, beside, beyond, to the right, below, around.*

Time: *formerly, hitherto, earlier, in the past, before, at present, now, today, these days, tomorrow, in the future, next, later on, later.*

Importance: *foremost, most importantly, especially, of less importance, of least importance.*

Example: In earlier centuries there was no need for elaborate accounting systems. However, the size and complexities of today's businesses make modern accounting a complicated process indeed.

- **Indicating the stages in an argument or process, or the items in a series:** *initially, at the outset, to begin with, first, first of all, up to now, so far, second, thus far, next, after, finally, last.*

Example: The accounting process works in stages. First, transactions must be analyzed.

- **Giving a result:** *as a result, consequently, accordingly, as a consequence, therefore, thus, hence, then, for that reason.*

Example: Generally accepted accounting principles allow flexibility in their application. Therefore, accountants are able to meet the changing needs of the business world.

- **Summing up or restating the central point:** *in sum, to sum up, to summarize, in summary, to conclude, in brief, in short, as one can see, in conclusion.*

Example: In conclusion, transitions often make writing much easier to read.

- **Adding emphasis:** *indeed, clearly*

Example: Indeed, good writing skills are essential for professional success.

Repetition of Key Words and Phrases

Another way to add coherence to your writing is to repeat key words and phrases. Such repetitions are particularly useful for connecting paragraphs and major divisions of documents. These repetitions are typically located at the beginning of a new paragraph or section.

The following outline of a student's essay shows the structure of a discussion on alternatives to the historical cost basis of accounting. Notice how the combination of transitional expressions and repeated key phrases holds the report together. These techniques also tie the parts of the report to the main idea of the paper, which is summarized in the thesis statement. Notice how summary sentences appear throughout the outline.

THE MONETARY UNIT ASSUMPTION

I. Introductory paragraph

A. Introductory sentences

One of the basic assumptions made by accountants is that money is an effective common denominator by which the operations of business enterprises can be measured and analyzed. Implicit in this assumption is the acceptance of the stable and unchanging nature of the monetary unit. However, the validity of this assumption has been questioned not only by academicians and theorists, but by practitioners as well.

B. Thesis statement (main idea of entire paper)

Several solutions have been proposed by accountants to correct for the changing value of the monetary unit.

II. Body

A. Nature of the problem

The unadjusted monetary unit system has been criticized because it distorts financial statements during periods of inflation.

B. First solution to the problem

1. One solution to overstating profits solely because of inflation is to adjust figures for changes in the general purchasing power of the monetary unit. (This paragraph describes the solution and its advantages.)

2. However, the general purchasing power approach has been criticized for several reasons. (This paragraph describes the disadvantages of this approach.)

C. Second solution to the problem

1. Instead of the general purchasing power procedure, some favor adjusting for changes in replacement cost. (This paragraph describes this solution.)

2. One of the major advantages of the replacement cost approach . . . (This paragraph discusses several advantages.)

3. One authority has summarized the criticisms of replacement cost accounting: “Most of the criticisms . . .” (This paragraph discusses the disadvantages of this approach.)
- D. Third solution to the problem**
1. Still others favor a mark-to-market (fair value) approach in which current exit values are used to value assets when possible.
 2. For certain assets, the FASB now requires the use of this approach. In general the advantages are . . .
 3. Critics of widespread use of this approach argue that . . .
- III. Concluding paragraph**
- Adjusting for changes in the general purchasing power, adjusting for changes in replacement cost, and the use of the mark-to-market (fair value) approach represent attempts to correct the problems of the stable monetary unit assumption in times of inflation.

Pronouns Used to Achieve Coherence

Another tool you can use to achieve coherent writing is the pronoun. A pronoun stands for a noun or a noun phrase that has previously been identified. The noun that the pronoun refers to is called its *antecedent*. Consider this sentence:

Investors expect that, over time, their portfolios will increase in value.

In this sentence, the pronoun *their* refers to the noun *investors*. Put another way, *investors* is the antecedent of *their*.

Because pronouns refer to nouns that the writer has already used, pronouns help connect the thoughts of a paragraph. Look at how the pronouns work in this paragraph:

The audit staff reviewed the financial statements of Western Manufacturing to determine whether the statements had been prepared in accordance with generally accepted accounting principles. *We* found two problems that may require *us* to issue a qualified opinion. First, Western has not been consistent in *its* treatment of accounts receivable. Second, *we* identified several transactions that may violate the matching principle. *We* suggest a meeting with Western’s management to discuss these issues.

Pronouns require a word of warning, however. Unless a writer is careful, the reader may not be sure what noun the pronoun refers to. Look at the problem in this sentence:

The managers told the accountants that they did not understand company policy.

Who didn’t understand company policy—the managers or the accountants? This sentence illustrates the problem of ambiguous pronoun reference. Chapter 5 discusses this problem further.

Problems with Transitions

A few problems can occur with transitions other than the failure to use them when they are needed. One problem occurs when a writer uses transitional expressions too often. These expressions are necessary to make the relationship of ideas clear when there might be some confusion. Often this logical relationship is clear without the use of transitional expressions. Consider this paragraph:

Accountants never finish their education. They work hard for their college degrees; after college they must continue studying to stay current on the latest developments in the profession. They must be thoroughly familiar with changing government regulations and new pronouncements by professional organizations such as the FASB. To improve their professional competence, they participate in a variety of continuing education programs sponsored by such organizations as the AICPA and state accounting societies. Well-qualified accountants are lifetime students, always seeking better ways to serve their clients and the public.

Notice how easy this paragraph is to follow, even though it doesn't use a single transitional expression.

Another problem with transitions occurs when the writer uses the wrong expression, suggesting an illogical connection of ideas. Consider these examples:

FAULTY TRANSITION: GAAP are not established by federal law. For instance, organizations such as the FASB issue these standards, and the FASB is not part of the federal government.

REVISED: GAAP are not established by federal law. Rather, organizations that are not part of the federal government, such as the FASB, issue these standards.

FAULTY TRANSITION: If accountants do not follow GAAP, they may lose their CPA licenses. Therefore, they must follow GAAP to conform to their code of professional ethics.

REVISED: If accountants do not follow GAAP, they may lose their CPA licenses. They must also follow GAAP to conform to their code of professional ethics.

Transitions, when used correctly, are valuable tools for clarifying the relationship between ideas. If you use transitions carefully, along with summary sentences and a logical organization, your writing will be easy to follow.

The next sections of this chapter show how to use these techniques to write coherent paragraphs, discussion questions, essays, and other longer forms of writing.

PARAGRAPHS

This section of the chapter is devoted to techniques of paragraphing: how to plan length, structure, and development so that your paragraphs are coherent.

Length

You might not be sure how long paragraphs should be. Are one-sentence paragraphs acceptable? What about paragraphs that run on for nearly an entire typed page?

One rule is that a paragraph should be limited to the development of one idea. Thus, the length of most paragraphs is somewhere between one sentence and an entire page. However, an occasional short paragraph, even of only one sentence, can be effective to emphasize an idea or to provide a transition between two major divisions of the writing.

Be wary of long paragraphs, which look intimidating and are often hard to follow. You may need to divide a long paragraph into two or more shorter ones. Appropriate transitions can tie the new paragraphs together and maintain a smooth flow of thought.

A good guideline is to limit most of your paragraphs to four or five sentences.

Structure

Another feature of well-written paragraphs is an appropriate structure. We have already suggested that a strong topic sentence can contribute to a unified, coherent paragraph. A topic sentence states the main idea of the paragraph. It is usually the first sentence in the paragraph, and sometimes contains a transition tying the new paragraph to the previous one. All other sentences in the paragraph should develop the idea expressed in the topic sentence.

Two patterns of paragraph organization are useful for most writing tasks that accountants will tackle: the simple deductive paragraph and the complex deductive paragraph. The simple deductive arrangement states the main idea in the first sentence (topic sentence); all other sentences *directly* develop that idea by adding details. A concluding sentence is sometimes helpful. Look again at this paragraph, which illustrates a simple deductive organization:

- (1) Accountants never finish their education.
- (2) They work hard for their college degrees, but after college they must continue studying to stay current on the latest developments in the profession.
- (3) They must be thoroughly familiar with changing government regulations and new pronouncements by professional organizations such as the FASB.
- (4) To improve their professional competence, they participate in a variety

of continuing education programs sponsored by such organizations as the AICPA and state accounting societies. (5) Well-qualified accountants are lifetime students, always seeking better ways to serve their clients and the public.

In this paragraph, sentence 1 is the topic sentence, sentences 2 through 4 develop the main idea, and sentence 5 is the conclusion. A simple deductive paragraph has a simple structure such as this one:

1. Topic sentence—main idea
2. Supporting sentence
3. Supporting sentence
4. Supporting sentence
5. Concluding sentence (optional)

A complex deductive paragraph has a more elaborate structure. This paragraph is complex deductive:

(1) Financial statements are important to a variety of users. (2) First, investors and potential investors use the statements to determine whether a company is a good investment risk. (3) These users look at such factors as net income, the debt-to-equity ratio, retained earnings, and economic value added (EVA). (4) Second, creditors use financial statements to determine whether a firm is a good credit risk. (5) Creditors want to know whether a firm has a timely and large enough cash flow to pay its debts. (6) Third, government agencies analyze financial statements for a variety of purposes. (7) For example, the Internal Revenue Service wants to know whether the company has paid the required amount of taxes on its income. (8) These examples of financial statement users show how diverse their interests can be.

In this paragraph, sentence 1 (the topic sentence) states the main idea. Sentence 2 directly supports the main idea by giving an example, but sentence 3 explains sentence 2. Thus, sentence 3 directly supports sentence 2, but only indirectly supports sentence 1. Complex deductive paragraphs have a structure similar to this one:

1. Topic sentence—main idea
2. Direct support
3. Indirect support
4. Direct support
5. Indirect support
6. Direct support
7. Indirect support
8. Conclusion (optional)

Complex deductive paragraphs can have numerous variations. The number of direct supporting sentences can vary, as can the number of indirect supports. Sometime direct supports do not require any indirect supports.

Consider another example of a complex deductive paragraph:

(1) Two of the most popular inventory flow assumptions used by businesses today are FIFO (first-in, first-out) and LIFO (last-in, first-out). (2) FIFO assumes that the first goods purchased for inventory are the first goods sold. (3) Therefore, ending inventory under FIFO consists of the most recent purchases. (4) Because older, usually lower costs are matched with sales revenues, FIFO results in a higher net income and thus higher income tax liabilities. (5) The LIFO flow assumption, on the other hand, assumes that the most recent purchases are the first goods sold. (6) Cost of goods sold, however, is based on more recent and higher prices. (7) Thus, LIFO usually results in lower net income and lower income tax liabilities. (8) This advantage makes LIFO very popular with many businesses.

This paragraph can be outlined to reveal the following structure:

- I.** Topic sentence (1): Two popular inventory flow assumptions
 - A.** FIFO (2–4)
 - 1. Description (2)
 - 2. Effect on inventory (3)
 - 3. Effect on net income and taxes (4)
 - B.** LIFO (5-8)
 - 1. Description (5)
 - 2. Effect on inventory (6)
 - 3. Effect on net income and taxes (7)
 - 4. Popularity (8)

The descriptions of FIFO and LIFO in this paragraph are very condensed, probably too condensed for most purposes. Moreover, the paragraph is really too long. It would probably be better to divide it between sentences 4 and 5, resulting in two shorter but closely related paragraphs:

(1) Two of the most popular inventory flow assumptions used by businesses today are FIFO (first-in, first-out) and LIFO (last-in, first-out). (2) FIFO assumes that the first goods purchased for inventory are the first goods sold. (3) Therefore, ending inventory under FIFO consists of the most recent purchases. (4) Because older, usually lower costs are matched with sales revenues, FIFO results in a higher net income and thus higher income tax liabilities.

(5) The LIFO flow assumption, on the other hand, assumes that the most recent purchases are the first goods sold. (6) Cost of goods sold, however, is based on more recent and higher prices. (7) Thus, LIFO usually results in lower net income and lower income tax liabilities. (8) This advantage makes LIFO very popular with many businesses.

Both paragraphs now have simple deductive structures. However, the first paragraph is a modified version of a simple deductive structure because the main idea of this paragraph is in the second sentence.

The important idea about both simple and complex deductive paragraphs is their unity: All sentences, either directly or indirectly, develop the main idea of the paragraph as expressed in the topic sentence.

One advantage of deductive paragraphs is that they enable a reader to skim the document quickly and locate main ideas. A busy CEO, for example, may scan a document, reading only the first sentence of each paragraph.

Some writers might wonder about a third type of paragraph organization: paragraphs with an inductive structure. Inductive paragraphs put the main idea last. Supporting sentences lead up to the topic sentence, which is the last sentence in the paragraph. For most business writing, inductive paragraphs are not as effective as simple or complex deductive paragraphs. Business readers like to identify main ideas from the start. They don't like to be kept in suspense, wondering, "What's all this leading up to? What's the point?" Thus, it's a good idea to stick with deductive organization for most, if not all, of your paragraphs.

Paragraph Development

An effective paragraph not only is well organized, but also is well developed. That is, the idea expressed in the topic sentence is adequately explained and illustrated so that the reader has a clear understanding of what the writer is saying.

Several techniques are useful for paragraph development: descriptive and factual details, illustrations or examples, definitions, and appeals to authority.

Descriptive and factual details give a more thorough, concrete explanation of the idea that is expressed in a general way in the topic sentence. Factual details give measurable, observable, or historical information that can be objectively verified. Descriptive details are similar to factual details. They give specific characteristics of the subject being discussed.

When you use details with which your readers are familiar, they can better understand your observations and conclusions. In the following paragraph, the main idea is stated in the first sentence. The paragraph is then developed with factual details:

Our net income for next year should increase because we've signed a contract with an important new customer. Flip's Frog Ponds, Inc., which last year had more than \$4 billion in revenue, has ordered a million lily pads from our horticultural division. This new business should increase our revenues by at least 15%.

Another useful paragraph development technique is using illustrations or examples—typical cases or specific instances of the idea being discussed. Illustrations can take a variety of forms. A paragraph might combine several brief examples, or use one long, extended

illustration. The examples can be factually true, or they may be hypothetical, invented for the purpose of illustration.

Definitions are useful to explain concepts or terms that might be unfamiliar to the reader. A definition can be formal, such as the meaning given in a dictionary or an accounting standard, or it can be a more informal explanation of a term. Often a definition is more effective when combined with an illustration.

The following paragraph is developed by definition and illustration:

Assets can be defined as things of value (economic resources) owned by a business. For example, cash is an asset; so are the land, buildings, and equipment owned by a business. Sometimes assets are resources owned by a business, though not tangible. An example of this kind of asset is an account receivable.

Finally, some paragraphs are developed by appeals to authority—facts, illustrations, or ideas obtained from a reputable source such as a book, article, interview, or official pronouncement. Appeals to authority can be paraphrases—someone else’s idea expressed in your own words—or direct quotations from the source being used. Chapter 8 gives more information on the correct use of quotations and paraphrases.

By using a variety of techniques, you can fully develop the ideas expressed in the topic sentences of your paragraphs. Factual and descriptive detail, illustration, definition, and authority all give the reader a clear understanding of what you want to explain.

However you decide to develop your paragraphs, remember the importance of your reader’s interests and needs. It’s better to select supporting details and examples with which the reader is already familiar.

ORGANIZING ANSWERS TO DISCUSSION QUESTIONS AND ESSAYS

A section about the organization of answers to discussion questions and essays might seem too academic for a writing handbook for accountants, but many accounting students take exams with discussion questions. In addition, many of the principles of organizing and developing an essay are applicable to memos, reports, and other types of writing used by accountants in practice.

Responding to essay or discussion questions contained on professional exams such as the CPA exam or the CMA exam is covered more fully in Chapter 13.

Discussion Questions

The key to answering a short discussion question (usually one to three paragraphs) is to write well-organized deductive paragraphs with

strong topic sentences. Usually, the question suggests the first sentence of the answer. Consider this example:

Discuss the sources of authoritative accounting principles.

The answer to this discussion question might begin with the following sentence, which gives the main idea of the answer:

Authoritative accounting principles derive from many sources.

The answer might then go on to discuss accounting principles promulgated by the FASB and its predecessor organizations. A second paragraph might then discuss accounting principles promulgated by the SEC and other governmental agencies. Finally, a third paragraph might discuss other less authoritative sources such as textbooks and articles in professional accounting publications. The third paragraph might begin with this topic sentence:

Although less authoritative, textbooks and articles in professional accounting publications can also be important.

Short paragraphs with strong topic sentences, as in the answer outlined in the preceding paragraphs, will help the exam grader identify your main ideas and give you credit for what you know.

Essays

Before you read this section, review the discussion of paragraph structure on pages 44–47. Pay particular attention to the complex deductive pattern of organization.

Complex deductive paragraphs have a main idea (topic sentence) supported by major and minor supports.

Answers to essay questions—which usually are composed of four or more paragraphs—are similar to answers to discussion questions in their use of a deductive structure, with a few modifications. One difference is that the organization of an essay is complex deductive, in that it uses both major and minor supports of the essay's main idea (thesis statement). That is, the essay's paragraphs offer direct support of the thesis. The sentences within each paragraph develop the topic sentence of the paragraph and thereby indirectly support the thesis.

Another difference between an essay and a response to a discussion question is that the thesis statement (main idea of the essay) may come at the end of the first paragraph, in which case it may be preceded by sentences that give background on the topic or otherwise interest the reader in what is being discussed. Finally, the conclusion of an essay may be longer and more complex than the conclusion of a discussion question response.

Below is the outline of a six-paragraph essay.

- I.** Introduction—first paragraph
 - A.** Attention-getting sentences (optional)
 - B.** Thesis statement—main idea of the essay, usually expressed in one sentence
- II.** Body of the essay—develops the thesis through analysis, explanation, examples, proofs, or steps.
 - A.** Major support—second paragraph
 1. } Minor supports—sentences that develop the paragraph
 2. } in a simple or complex deductive organization
 3. }
 - B.** Major support—third paragraph
 1. }
 2. } Minor supports
 3. }
 - C.** Major support—fourth paragraph
 1. }
 2. } Minor supports
 3. }
 - D.** Major support—fifth paragraph
 1. }
 2. } Minor supports
 3. }
- III.** Conclusion—sixth paragraph
 - A.** Repeats the essay’s main idea (a variation of the thesis statement) or otherwise provides closure
 - B.** Forceful ending (optional)

Some of the parts of this outline need more discussion.

Attention-Getting Sentences

Some essays begin with attention-getting sentences, which are intended to get the reader interested in the subject. Several techniques can be used:

- Give background information about the topic. Why is the topic of current interest?
- Pose a problem or raise a question (to be answered in the essay).
- Define key terms, perhaps the topic itself.
- Show the relevance of the topic to the reader.
- Begin with an interesting direct quotation.
- Relate a brief anecdote relevant to the topic.
- Relate the specific topic to a wider area of interest.

The following essay introduction uses two of these techniques. It poses a question and then suggests the relevance of the topic to the

reader, assuming that the essay was written for accountants. The final sentence of the paragraph is the thesis statement.

Do accountants need to be good writers? Some people would answer “No” to this question. They believe an accountant’s job is limited to arithmetical calculations and computer applications with very little need to use words or sentences. But this picture of an accountant’s responsibilities is a misconception. In fact, good writing skills are essential to the successful practice of accounting.

Sometimes you might choose not to use attention-getting sentences, but decide instead to begin your essay with the thesis statement. This is a particularly good strategy to use for exam questions.

Thesis Statement

The thesis statement summarizes the main idea of the essay, usually in one sentence. It can be a *simple* thesis statement, such as the following:

Good writing skills are essential to the successful practice of accounting.

Alternatively, the thesis statement can be expanded. That is, it can summarize the main supports of the discussion. Here is an example of an expanded thesis statement:

In fact, successful accountants must have good writing skills to communicate with clients, managers, agencies, and colleagues.

Sometimes, to avoid a long or awkward sentence, you might want to use two sentences for the thesis statement:

In fact, good writing skills are essential to the successful practice of accounting. During a typical business day, an accountant may write to clients, managers, agencies, or colleagues.

Conclusion

The conclusion should provide the reader with a sense of closure—a feeling that the essay is complete, and that the train of thought has come to a logical end. You can give your essays closure by repeating the main idea, usually in some variation of the thesis statement. You may also want to end with a forceful statement that will stay in the reader’s mind, thus giving the discussion a more lasting impact. For a strong ending, you can use several techniques, many of which resemble those used in the introduction:

- Show a broad application of the ideas suggested in the discussion.
- End with an authoritative direct quotation that reinforces your position.
- Challenge the reader.
- Echo the attention-getting sentences. For example, if you began by posing a question in the introduction, you can answer it explicitly in the conclusion.

If you're writing an essay on an exam, a concluding paragraph might not be necessary, but it's important that the essay seem finished. The essay will seem complete if you've developed your thesis statement fully.

Applying Essay Techniques to Other Kinds of Writing

If you are answering an essay question on an exam, you can use the techniques just discussed to organize and develop an effective discussion. Chapter 13, which discusses essay exams more fully, provides additional suggestions. But how do the techniques you use for essays work with the writing formats more typically used by accountants (letters, memos, and reports)?

Everything you write should have a main idea. In an essay, this idea is called the thesis statement; in a memo or report, the main idea might be included in the statement of purpose or recommendations. Whatever you're writing, you should identify the main idea before you even begin your outline. Unless this idea is clear in your mind—or clearly written in your notes—your writing may be rambling and confusing. Your reader might then wonder, “What's this person trying to say? What's the point?”

Whatever you write should be organized around a central idea, just as an essay is organized. Letters, reports, and memos share other features of an essay as well: a basic three-part structure (introduction, body, conclusion), complex deductive organization, and the need for adequate transitions and concrete support.

If you understand the principles discussed in this chapter, you will find it easier to plan and organize the writing tasks that are part of your professional responsibilities.

Sample Essay

The following is an assignment for an essay given in an accounting class. The answer in Figure 3-1 illustrates some of the principles of good organization and development.

Assignment. The International Accounting Standards Board (IASB) is responsible for the development of a set of international accounting standards. Explain in 300-500 words why the development of international accounting standards may be important.

This chapter has added four guidelines to our list of ways to make your writing more effective. We now have seven guidelines:

1. Analyze the purpose of the writing, the accounting issues involved, and the needs and expectations of the readers.
2. Organize your ideas so that readers will find them easy to follow.
3. Write the draft and then revise it to make the writing polished and correct.

FIGURE 3-1 Example of an Essay

The Importance of International Accounting Standards

The need for international accounting standards has received great attention since the late 1980s. This attention is due to the expanding globalization of business and capital markets. When different countries have different business regulations and use different accounting methods, the increased complexity of conducting business and raising capital across national borders presents major challenges. By analogy, consider how difficult the reporting process in our own country would be if each of the 50 states employed different business regulations and a different set of accounting standards. Clearly, in such a case our capital markets as reflected by the activities of the New York Stock Exchange (NYSE) and NASDAQ could not operate as efficiently or robustly as they now do. Indeed, the need for international accounting standards has become more important in recent years.

If investors in international capital markets must make investment choices among corporations that use different accounting standards, competing investment opportunities become less comparable and much more risky. The result is likely to be that fewer investors will undertake the effort or assume the risk of investing in foreign corporations or in corporations that have a lot of foreign holdings. Consequently, fewer corporations may list their securities on a foreign exchange. Ultimately, such difficulties could seriously impede the expansion of international capital markets and the development of more healthy international economies.

The International Accounting Standards Board (IASB) has been responsible for setting international standards since 2001. Together with its predecessor, the International Accounting Standards Committee (IASC), these two organizations have issued numerous International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs). Through its efforts the IASB hopes to achieve convergence of international financial reporting standards.

Most international accounting organizations, securities exchanges, and governments support this effort to harmonize standards. Several of the world's securities exchanges either permit or require compliance with IASs and IFRSs by their registrants. The International Organization of Securities Commissions (IOSCO) and the Organization for Economic Cooperation and Development (OECD) cooperate with the IASB in its development of international financial reporting standards. The European Union has accepted the international standards issued by the IASC and the IASB for its member countries.

Although the prospect for uniform financial reporting standards among all countries is not realistic, reducing differences through the concept of harmonization is clearly a worthwhile goal.

4. Make the writing unified. All sentences should relate to the main idea, either directly or indirectly. Eliminate digressions and irrelevant detail.
5. Use summary sentences and transitions to make your writing coherent.
6. Write in short paragraphs that begin with clear topic sentences.
7. Develop paragraphs by illustration, definition, detail, and appeals to authority.

TEST YOURSELF

Is the following paragraph coherent? If not, revise it to improve its organization, using some of these techniques:

- Write a strong topic sentence stating the paragraph's main idea.
- Use transitional devices to show the relation between sentences.
- Eliminate sentences that don't fit.
- Divide long, disunified paragraphs into shorter, unified ones.
- Rearrange sentences by grouping ideas together (add sentences if necessary).

Accountants used to enter data into spreadsheets by hand. Accountants performed calculations by hand, and they had adding machines. Much of the work accountants did in the past was tedious and time consuming. Computers have drastically changed the practice of accounting. If accountants made errors, accountants would have to erase the mistakes with chemicals that would dissolve the ink. These chemicals could stain their clothes and sometimes irritate their skin and make their desks messy.

TEST YOURSELF: ANSWER

This paragraph needs revision. Here is one possibility:

Computers have drastically changed the practice of accounting in the past few decades. In the past, accountants performed calculations by hand, or perhaps with the help of adding machines. They entered data into spreadsheets by hand; if they made errors in their entries, they would have to erase the mistakes with chemicals that dissolved the ink, or they would have to enter the data again from the beginning. These examples suggest that much of the work accountants did in the past was tedious and time consuming.

EXERCISES

Exercise 3–1 [General]

Some of the following paragraphs are effectively organized, but some lack unity and/or coherence. Analyze the paragraphs to decide which

ones need revision. Then revise the faulty paragraphs, using some of these techniques.

- Write a strong topic sentence stating the paragraph's main idea.
 - Use transitional devices to show the relation between sentences.
 - Eliminate sentences that don't fit.
 - Divide long, disunified paragraphs into shorter, unified ones.
 - Rearrange sentences by grouping ideas together (add sentences if necessary).
1. Government accountants help national, state, and local governments control spending and budgeting. Government spending could run rampant. Governmental accounting is similar to industrial accounting in many of its functions. Government accountants help prevent the government from wasting taxpayers' money.
 2. One service that public accountants perform is auditing. Accountants examine clients' financial statements to see if they are in conformity with generally accepted accounting principles. Accountants give credibility to financial statements. Public accountants offer management consulting services. Management consultants suggest ways firms can improve such functions as information processing, budgeting, and accounting systems. Taxes are an increasingly complex area. Accountants prepare and file returns and advise clients how to incur the smallest tax liability on a transaction.
 3. Many corporations can benefit from convertible debt. Firms should be aware of the hardships that may arise from conversion or non-conversion. Firms should be aware that accounting requirements may impose potentially unfavorable effects on earnings per share. Corporations want to obtain low-cost funds now and desire also to increase their equity in the future.
 4. Although the purchase of our supplier's stock may offer us several advantages, there are also some potential problems we should consider. For one thing, we may not always need the supplier's raw material, because we may not always manufacture the product that requires this material. And even if we continue to manufacture our product, our research and development staff may discover a cheaper, synthetic raw material. Finally, if we do purchase the stock but later need to resell it, we cannot be assured that the stock will be marketable at that time.

Exercise 3–2 [General]

Write a sentence outline for one of the following topics. Assume the outline is for a report that you are preparing for your client, Eleanor Johnson. Eleanor is the owner/manager of a small jewelry store with 10 employees. She is astute about business matters, but she has little training in accounting.

Include in your outline a sentence stating the main idea or purpose of the report. Divide your subject into logical subtopics, stating in a sentence the main idea of each division. Finally, show the transitional devices you would use to tie the report together. (For a model outline, see page 50 of this chapter.)

Topics:

1. How to reconcile a bank statement.
2. Internal control for cash in Eleanor Johnson's store.
3. Possible causes for low inventory turnover in the store's china department. (Invent some possible causes for this hypothetical situation.)

Exercise 3-3 [Financial]

Write about the following topics using the techniques covered in this and earlier chapters. Your answers might range from one to six paragraphs or more, depending on the topic.

1. Discuss how to test for impairment of intangible assets with indefinite lives under FASB standards.
2. Discuss the role of the International Integrated Reporting Council (IIRC) in the future development of corporate reporting.
3. Define *fair value accounting* and discuss the pros and cons of its use.
4. Explain the difference between revenues and gains.
5. Explain the differences between depreciation, amortization, and depletion.
6. Discuss the importance of convergence in the context of establishing International Financial Reporting Standards (IFRSs) as well as the pros and cons of adopting IFRSs in the United States.

Exercise 3-4 [Systems]

Write about the following topics using the techniques covered in this and earlier chapters. Your answers might range from one to six paragraphs or more, depending on the topic.

1. Explain the two approaches to database design, normalization and semantic data modeling.
2. A database can view data in either a physical view or a logical view. Explain each of these views and when each may be useful.
3. Explain what COBIT is and the benefits of its use.
4. Explain the Systems Development Life Cycle, which describes the design and implementation of an information system. What role do accountants play in this cycle?
5. Explain and discuss the use of cloud computing to improve systems efficiency.

Exercise 3–5 [Managerial]

Write about the following topics using the techniques covered in this and earlier chapters. Your answers might range from one to six paragraphs or more, depending on the topic.

1. Discuss the purpose of the IMA (the Association of Accountants and Financial Professionals in Business), which was formerly known as the Institute of Management Accountants.
2. Discuss why ethics is important in managerial accounting.
3. Discuss the function of Financial Executives International (FEI).
4. Discuss the Certified Management Accountant (CMA) certification process including what the CMA is, how it differs from the CPA, and what the benefits of acquiring the designation may be.
5. Define internal control and discuss its importance.

Exercise 3–6 [Auditing/Current Professional Issues]

Write about the following topics using the techniques covered in this and earlier chapters. Your answers might range from one to six paragraphs or more, depending on the topic.

1. Discuss the pros and cons of requiring audit firm rotation and shareholder ratification of audit firms.
2. Discuss the role of the National Peer Review Committee (NPRC), which was formally known as the Center for Public Company Audit Firms Peer Review Program (CPCAFPRP).
3. Discuss what the consequences may be if the Public Company Accounting Oversight Board (PCAOB) finds significant performance deficiencies during its inspection of an audit firm.
4. Discuss the controversy of whether to allow major auditing firms to also operate a consulting practice.

Exercise 3–7 [Tax]

Write about the following topics using the techniques covered in this and earlier chapters. Your purpose is to provide a very general explanation to readers who have never heard of these terms or topics. Your answers might range from one to six paragraphs or more, depending on the topic.

1. Discuss the concepts of *dependency exemption* and *personal exemption* as they apply to the income tax of individuals.
2. Discuss the concept of *constructive receipt* as it applies to the income tax of individuals.
3. Discuss the American Opportunity Tax Credit and the Lifetime Learning Credit, including the requirements of these credits.

4. For individual tax purposes, why is the distinction between deductions *for* adjusted gross income and deductions *from* adjusted gross income important?
5. Discuss the Foreign Account Tax Compliance Act (FATCA). Include an explanation of its requirements and a discussion of its objectives.

CHAPTER

A Sense of Style: Writing with Conciseness and Clarity

So far we've looked at writing mainly as an organizational task: planning the structure and contents of the paper so that it achieves its purpose in a way readers will find meaningful. We have stressed the quality of coherence: writing that is easy to follow, with main ideas that stand out. Chapters 2 and 3 looked at writing in terms of large units—the document as a whole as well as sections and paragraphs.

We turn now to a more detailed level of effective writing. This chapter looks at word choices and sentence structures that contribute to a vigorous and readable writing style. In this discussion of style, we emphasize two other important qualities of effective writing: conciseness and clarity (two of the writing tips listed in Figure 1–2 in Chapter 1).

CONCISENESS

Readers prefer concise writing so they can find the information they need quickly and easily. Chapter 3 showed how to make your writing more concise by eliminating digressions and irrelevant detail. In general, concise writing contains no unnecessary elements—no extra words, phrases, sentences, or paragraphs. This makes up the eighth rule of effective writing:

Be concise—make every word count.

Unnecessary Words

The easiest way to make every word count is to see how many words you can cross out of your writing, often with only a simple revision of

the sentence. These examples show how sentences can be revised to eliminate unnecessary words:

WORDY: Participants in the audit of XYZ Company found a large number of weaknesses in the system of internal control of the company. [22 words]

CONCISE: The auditors found many weaknesses in XYZ's internal controls. [9 words]

WORDY: It is my understanding that a good number of our new employees are using their company email accounts for communicating with their friends and family. [25 words]

CONCISE: Many of our new employees are using company email accounts for personal communication. [13 words]

WORDY: We hope the entire staff will help us in our attempts to use less energy. [15 words]

CONCISE: We hope the entire staff will help us use less energy. [11 words]

WORDY: Forecasts for profits for the coming year range all the way from \$300,000 to upwards of \$500,000. [17 words]

CONCISE: Next year's profit forecasts range from \$300,000 to \$500,000. [9 words]

WORDY: To stay informed on the latest information, accountants must read a great number of published materials about accounting. [18 words]

CONCISE: To stay current, accountants must read many accounting publications. [9 words]

WORDY: In order to reach our tax liability reduction goals, we changed the way we accounted for the purchase. [18 words]

CONCISE: To reduce our tax liability, we changed the way we accounted for the purchase. [14 words]

Watch out for *there is* and *there are*. They can usually be eliminated. *The fact that, which is, who is, and which are* can sometimes be left out as well:

WORDY: His partner, who is an engineer, reviewed the plans. [9 words]

CONCISE: His partner, an engineer, reviewed the plans. [7 words]

WORDY: There are several strategic planning strategies that we can use to reduce our income taxes. [15 words]

CONCISE: We can reduce our income taxes through strategic planning. [9 words]

WORDY: I would like to call your attention to the fact that we have a staff meeting scheduled for next Wednesday. [20 words]

CONCISE: Remember our staff meeting scheduled for next Wednesday.
[8 words]

or (even better)

Remember next Wednesday's staff meeting. [5 words]

WORDY: In spite of the fact that our costs rose by 10%, we still were able to keep our prices stable. [20 words]

CONCISE: Although costs rose by 10%, our prices remained stable.
[9 words]

Simplicity

Another way to make your writing concise is to write as simply as possible. Sometimes writers get into the habit of using big words and long, complicated sentences. Such writing is hard to read.

SEC Commissioner Cynthia A. Glassman has offered this example of a footnote disclosure that is almost impossible to understand¹:

Any interest collections on the loans remaining after payments of interest on the notes and the company's expenses will be available to cover any losses on the loans that are not covered by the insurance policies.

Glassman has suggested this translation into plain English:

After we pay our expenses and interest on the notes, we will use any remaining funds to cover uninsured losses.

For an example of simple, clear writing, review the narrative description of a payroll processing system shown in Figure 1–3 (page 7). Notice how the choice of familiar, simple words makes the narrative easy to understand. The narrative's sentences, which are mostly short and always clear, also contribute to the document's effectiveness.

The ninth technique for effective writing style is simplicity.

Keep it simple—simple vocabulary and short sentences.

Good writers use short, everyday words as much as possible. For example, they may write *use* instead of *utilize* and *help* instead of *assistance*. Shorter, familiar words are easier to read and make writing more forceful.

Table 4–1 shows two columns of words. Column B lists short, familiar words; Column A lists longer, more difficult words that are often substituted for the everyday words in Column B. The table also shows how single words (*because*) can often replace phrases (*for the reason that*). As a general rule, use the words and phrases in Column B rather than those in Column A. Some of the terms in Column A can be omitted (such as *it should be noted that*).

Another way to achieve a simple, readable style is to use short sentences. Short sentences are particularly important when you are explaining complicated ideas.

The average sentence should be about 15 words long.

TABLE 4-1 Simplifying Word Choices

As a rule, use the words and phrases in Column B rather than those in Column A.

Column A	Column B
above-mentioned firms	these firms
absolutely essential	essential
activate	begin
advise	tell
aggregate	total
along the lines of	like
anticipate	expect
as per your request	as you requested
assist	help
at all times	always
at this point in time	now
at this time	now
attempt	try
commence	begin
communicate	write, tell
completely eliminated	eliminated
comprise	include
consider	think
constitute	are, is
discontinue	stop
disutility	uselessness
due to the fact that	because
during the time that	while
earliest convenience	promptly, soon
effort	work
enclosed herewith	enclosed
enclosed please find	enclosed is
endeavor	try
exercise care	be careful
facilitate	ease, simplify
failed to	didn't
few in number	few
for the purpose of	for
for the reason that	since, because
from the point of view that	for
furnish	send, give
i.e.	that is
implement	carry out
in advance of	before
in all cases	always
in many cases	often
in most cases	usually
in behalf of	for
in connection with	about
in terms of	in
in the amount of	of, for
in the case of	if
in the event that (of)	if
in the nature of	like

(cont.)

TABLE 4-1 (cont.)

Column A	Column B
in the neighborhood of	about
in this case	here
indicate	show, point out
initiate	begin
in view of the fact that	because
inasmuch as	since
investigate	study
it has come to my attention	Ms. Jones has just told me; I have just learned
it is felt	I feel; we feel
it is our understanding that	we understand that
it should be noted that	(omit)
maintain	keep
maintain cost control	control cost
make a purchase	buy
make application to	apply to
make contact with	see, meet
maximum	most, largest
minimum	least, smallest
modification	change
obtain	get
on the order of	about
on the part of	by
optimum	best
past history	history
per annum	annually, per year
period of time	time, period
pertaining to	about, for
philosophy	plan, idea
please be advised that	(omit)
prepare an analysis	analyze
presently	now
prior to	before
procure	get, buy
provide	give
provide continuous indication	indicate continuously
pursuant to your inquiry	as you requested
range all the way from	range from
regarding	about
relative to	about
represent	be, is, are
require	need
so as to	to
subsequent to	after, later
substantial	large, big
sufficient	enough
terminate	end, stop
the major part of	most of
the manner in which	how
the undersigned; the writer	I, me
thereon, thereof, thereto, therefrom	(omit)

(cont.)

TABLE 4-1 (cont.)

Column A	Column B
this is to acknowledge	thank you for; I have received
this is to inform you that we shall send	we'll send
through the use of	by, with
transpire	happen
true facts	facts
under separate cover	by June 1, tomorrow, separately, by parcel post
until such time as	until
utilize	use
vital	important
with a view to	to
with reference to	about
with regard to	about
with respect to	on, for, of, about
with the object to	to
with the result that	so that

Note that 15 words is an *average*. Some sentences are longer, some shorter. In fact, it's a good idea to vary sentence lengths so that the writing doesn't become monotonous. Sentence variation will be discussed again later in this chapter.

Verbs and Nouns

Another way to make your writing more concise is to use active verbs and descriptive nouns, rather than lots of adverbs and adjectives. The tenth rule of effective writing is

Write with active verbs and descriptive nouns.

See how this sentence can be improved:

WORDY: There are many positive advantages to making investments in the latest state-of-the-art technology. [16 words]

CONCISE: State-of-the-art technology offers many advantages. [8 words]

One common cause of wordy writing is hidden verbs. For example,

came to a conclusion that instead of *concluded*
causes a misstatement of instead of *misstates*
makes an analysis of instead of *analyzes*
will serve as an explanation of instead of *will explain*

What are the hidden verbs in the following sentences?

The auditors came to the conclusion that the financial statements were not complete.

Johnson made reference to the new tax laws to support his recommendation.

In the first sentence, the hidden verb is *concluded*; in the second sentence, it is *referred*. The revised sentences are a little less wordy, a little more forceful:

The auditors concluded that the company's financial statements were incomplete.

Johnson referred to the new tax laws to support his recommendation.

or

Johnson supported his recommendation by referring to the new tax law.

Here are some other sentences with hidden verbs, followed by revisions to make them more concise:

HIDDEN VERB: After we study the department's needs, we will be able to make a recommendation of the best system to put in place. [22 words]

REVISED: After we study the department's needs, we can recommend the best system to put in place. [16 words]

HIDDEN VERB: The partners have made a decision that the firm should broaden its client base. [14 words]

REVISED: The partners have decided that the firm should broaden its client base. [12 words]

or (even better)

The partners have decided to broaden the firm's client base. [10 words]

HIDDEN VERB: The IT specialist made an analysis of the department's computer problems. [11 words]

REVISED: The IT specialist analyzed the department's computer problems. [8 words]

HIDDEN VERB: This method will result in a distribution of the costs between the balance sheet and the income statement. [18 words]

REVISED: This method will distribute the costs between the balance sheet and the income statement. [14 words]

HIDDEN VERB: We are able to make the determination of the historical cost of this equipment due to the fact that we have records of its purchase. [25 words]

REVISED: We can determine this equipment's historical cost because we have records of its purchase. [14 words]

Finally, avoid sentence introductions that weaken the sentence idea. Don't apologize for or hedge about what you're saying:

WORDY: It has come to my attention that we need additional staff for this audit. [14 words]

CONCISE: We need additional staff for this audit. [7 words]

WORDY: I am writing this letter in an attempt to explain how to improve your tax planning. [16 words]

CONCISE: This letter will explain how to improve your tax planning. [10 words]

WORDY: Enclosed please find our invoice for \$400. [7 words]

CONCISE: Our invoice for \$400 is enclosed. [6 words]

WORDY: This is to acknowledge receipt of your letter of June 1. [11 words]

CONCISE: Thank you for your letter of June 1. [8 words]

WORDY: This is to inform you that we are sending a check in the amount of \$798.14. [16 words]

CONCISE: We're sending a check for \$798.14. [6 words]

In summary, clear, readable writing contains no unnecessary words. Be concise—your writing will be more forceful.

CLARITY

Unless you write clearly, your readers will not understand what you meant to say. One way to write with clarity is to be concise, so that important ideas are not buried in unnecessary words and details. Writing as simply as possible will also help you achieve clarity because you'll be using words the reader knows and feels comfortable with.

Other techniques for improving the clarity of your writing include the careful use of jargon and precise, concrete word choices.

Jargon

Jargon is “the technical terminology or characteristic idiom of a special activity or group.”² We all recognize accounting jargon: words and phrases such as *amortization*, *accrual*, *debit*, *GAAP*, and *deferred income taxes*.

One kind of jargon is acronyms: words composed of the first letter of a group of words, such as *FASB*, *ASR*, *GAAP*, and *LIFO*. To introduce an acronym, write out the words of the acronym, with the acronym in parentheses:

Some companies account for inventory using the Last-In-First-Out (LIFO) method.

One of the earliest groups to set accounting standards was the Committee on Accounting Procedure (CAP).

After you have identified the acronym, you can use the acronym alone throughout the rest of the document. If you're sure that the readers will be familiar with an acronym, and if you're writing an informal document, it's usually acceptable to use the acronym without writing it out.

Unless you use acronyms and other forms of jargon carefully, they will detract from the clarity of your writing. Two guidelines can help you decide when to use jargon and when to look for other words. The first is to remember the readers' needs and to use language they will understand. Another accountant will probably understand what you mean by *straight-line depreciation*, but managers or clients who have not studied accounting may not. Be careful when using jargon even with your accounting colleagues. Would everyone with a degree in accounting know what you mean by *back-flush costing*?

The second guideline for the use of jargon is to keep your word choices as simple as possible. Avoid jargon when ordinary language will say what you mean. For example, why say “the bottom line” if you mean net income or loss?

Jargon may be unavoidable when you need to communicate technical information as efficiently as possible, but remember the needs of your readers. Define or explain any technical terminology with which they may not be familiar, as stated in the next rule of effective writing:

Use jargon only when your readers understand it.

Define technical terms when necessary.

Precise Meaning

Precision is one of the most important elements of clear writing. Word choices must be accurate and sentences must be constructed so that their meaning is clear. Precision is particularly important in accountants' writing because accountants are often legally responsible for the accuracy of what they write. Moreover, the technical nature of accounting makes precise writing a necessity. Consider this sentence:

UNCLEAR: The major drawback of the current value method is verifiability.

REVISED: The major drawback of the current value method is *the lack of verifiability*.

The revision certainly improves the precision and intelligibility of the sentence! The next rule for an effective writing style is precision.

Be precise—avoid ambiguous and unclear writing.

Word Choices

Imprecise writing has several causes. One culprit is poor diction, or the inaccurate use of words:

The major *setback* of the old system is that it is inefficient. [Poor diction. The writer meant *drawback*.]

The advantage of measurements in terms of market values is that the values reflect *what the item is worth*. [What is the precise meaning of the italicized phrase? *Worth* is vague.]

In these examples, the diction problems are italicized:

POOR DICTION: The users of our financial statements may see the decline in our revenues and become *worrisome*.

REVISED: The users of our financial statements may see the decline in our revenues and become worried.

POOR DICTION: Our advertising expense, which is 1% of total sales, is a *negligent* amount.

REVISED: Our advertising expense, which is 1% of total sales, is a negligible amount.

POOR DICTION: The reason for this purchase was to *help from* liquidating LIFO layers.

REVISED: The reason for this purchase was to prevent the liquidation of LIFO layers.

Unclear, awkward writing can also result from the misuse of words ending in *-ing*:

AWKWARD AND UNCLEAR: We do not have all the data, therefore failing to complete the analysis.

REVISED: We do not have all the data, so we can't complete the analysis.

AWKWARD AND UNCLEAR: In finding out this information, we will have to be thorough in our asking of questions of the concerned parties.

REVISED: To find out this information, we must thoroughly question the concerned parties.

AWKWARD AND UNCLEAR: When purchasing bonds at a discount, the investment cost is less than the face value of the investment.

REVISED: When bonds sell at a discount, the investment cost is less than the face value of the investment.

Faulty Modifiers

Another type of imprecise writing is misplaced and dangling modifiers. With a misplaced modifier, the modifying word or phrase is not placed next to the sentence element it modifies. The result is a confusing sentence:

Process cost systems are often used by businesses that produce goods for general distribution *such as oil refineries and dairies*. [The italicized phrase appears to modify *goods*, but it really modifies *businesses*.]

Process cost systems are often used by businesses such as oil refineries and dairies, which produce goods for general distribution.

Consider another sentence with a misplaced modifier:

This technique identifies tax returns for audits with a high probability of error.

Revised:

To identify tax returns for audit, this technique flags returns that have a high probability of error.

Dangling modifiers, which usually come at the beginning of a sentence, do not actually modify any word in the sentence. Usually the word modified is implied rather than stated directly. Look at this sentence:

After buying the bonds, the market price will fluctuate.

This sentence illogically suggests that the buyer of the bonds is “the market price.” The writer probably meant something like this:

After we buy the bonds, the market price will fluctuate.

Here’s another example:

As a successful company, disclosure of quarterly profits will attract investors.

One possible revision:

Because we are a successful company, disclosure of our quarterly profits will attract investors.

Pronoun Reference

Faulty pronoun reference can also cause writing to be ambiguous and confusing:

Capitalization of interest is adding interest to the cost of an asset under construction which increases its book value.

The meaning of this sentence is unclear. What increases book value? *Which* and *its* are confusing; their references are vague. Here is one possible revision:

Capitalization of interest is adding interest to the cost of an asset under construction. The added interest increases the asset’s book value.

Faulty pronoun reference can be labeled *vague*, *ambiguous*, or *broad*. These terms all mean that the writer doesn’t make clear what the pronoun refers to. The pronoun *this* is particularly troublesome:

FAULTY REFERENCE: Last year the company changed from FIFO to LIFO and created a LIFO reserve. Because of *this*, the company decided to reduce inventories.

REVISED: Last year the company changed from FIFO to LIFO and created a LIFO reserve. Because of this change, the company decided to reduce inventories.

FAULTY REFERENCE: The use of generally accepted accounting principles does not always produce the true financial position of a company. *This* is a problem for the FASB.