

DISCOURSE PRACTICES OF ACCOUNTING

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## **ABSTRACT**

This report examines the field of professional accounting and takes a close look at the discourse practices involved in this occupation. The purpose of this report is to discover the unique communication practices that are associated with this profession and examine each one individually. This report breaks the profession into categories and discusses the major characteristics of each category. The categories detailed are financial, management, audit, public, and forensic accounting. The report then explains the written and oral communication that is associated with professional accounting, and gives the characteristics of each. An oral interview is included in the text and serves as a first-hand look at accounting communication. One specific written document is then chosen and analyzed for rhetoric content. The elements examined are audience, purpose, logos, ethos, pathos, and structure. Finally, the report gives concluding remarks based on the information gathered from the investigation.

## **INTRODUCTION**

Every profession, regardless of its discipline, has its own unique practices and techniques. One of these unique practices is the art of communication, which comes in a wide variety of types. While some professions rely heavily on written discourse, others do the majority of their communication by other means, such as oral and electronic. Because of these differences in communication, we are going to look deeply into one particular field and analyze it closely. What we want to find out is the unique discourse methods that this profession practices, and how this differs from other occupations. The profession we will be investigating will be the field of professional accounting. Primarily, we will focus on an overview of the profession, the different communication practices observed, and we will also take a close look at one particular document and analyze it closely. After this research, we will hopefully have a better idea of what the accounting occupation entails, and also how accountants communicate.

## **METHODS**

### *Types of Research*

In conducting this investigation, I first researched accounting material that has been published in journals, web sites, and other sources. I also conducted an interview with Chuck Harter, who is an Associated Professor of Accounting at North Dakota State University, and recorded his remarks regarding the different discourse practices in his field. After recording this interview, I researched various types of communication documents and grouped them into categories based on the different elements they presented. After collecting many documents, I took a close look at one document in particular and analyzed it closely. This analysis was incorporated into the final document, and serves as one of the main points in this report.

## *Descriptions of Research Methods*

In order to find material that has already been published regarding this topic, I needed to first look into sources that were credible and professional. Government, Professional, and Corporate websites that dealt with accounting were the most useful, as they provided information in a professional and orderly manner. To get a general overview of the accounting field, I looked at dictionaries and reference books, which were very useful in defining what accounting is and what it consists of. When all of this information was gathered together, it produced a nice overview of the accounting profession.

The interview I conducted with Chuck Harter inquired into the many different discourse practices performed by accounting professors. Although not directly associated with professional accounting, professors in this discipline have the necessary accounting knowledge and share many of the same communication practices with professional accountants. Before giving the interview, I drew up a list of questions to ask the professor so I would have a guideline to follow. The results of this interview would later be used along with my research on the various types of discourse practices in order to confirm my findings.

I looked into sources that were professional in nature in order to find examples of communication documents. Some of the websites that I used were sites that dealt with company information, federal standards, certified public accountants, and the field of accounting in general. To find the perfect document to analyze, I studied each one individually and chose the document that most represented the uniqueness of this profession. I then studied the various aspects of the document, such as structure, audience, and purpose, and recorded my findings. This analysis was broken into two main parts, which were the rhetorical situation and the rhetorical act.

## **RESULTS**

### *Introduction to Accounting*

By definition, accounting is the occupation of maintaining and auditing records and preparing financial reports for a business (Hyperdictionary, 2004). This basically means that accountants record every transaction done within the business and use this to prepare various performance statements, which give stakeholders an idea of where the company stands. Although all accountants do some sort of transaction recording, not all of them deal with the same types of businesses and transactions. In fact, there are several different categories of accountants, which include financial, managerial, audit, public, and forensic accounting (Accounting, 2003, pg 1-2). All of these areas are related in many ways, but they each have their differences as well.

Financial accounting entails collecting records and information about a company, which can be used for external or internal purposes. Examples of external users would be bankers, investors, suppliers, customers, and financial analysts. These individuals use this information to help them make important decisions, such as whether to invest or purchase. This information is gathered and presented as financial reports or statements, which must be in accordance with Generally Accepted Accounting Principles (Accounting, 2003).

While financial accounting is used for both external and internal purposes, management accounting, on the other hand, is used only for internal purposes. These accountants are often called cost accountants, since they primarily help management reduce costs associated with the day-to-day activities of the business. They are often part of executive teams involved with strategic planning, product development, and budgeting. The work they do helps aid corporate executives make sound business decisions in the future (Bureau of Labor Statistics, 2004, pg 2).

Auditing involves the reviewing and verification of records within a certain business or organization. There are two main types of auditing: external and internal. External auditing consists of an independent examination of the records of an organization to determine whether the financial statements are true and a fair representation of that company's financial activity. Internal auditing involves verifying the accuracy of an organization's records and checking for possible fraud (Accounting, 2003).

Public accountants perform a broad range of accounting, auditing, tax, and consulting activities for their clients, who may be corporations, governments, nonprofit organizations, or individuals. Most public accountants are Certified Public Accountants and have their own businesses or work for public accounting firms (Bureau of Labor Statistics, 2004, pg 2). These individuals may be specialized in one certain area, or they can also do a combination of these different services.

One type of public accounting field is the profession of forensic accounting, which consists of investigating white collar crimes such as embezzlement, contract disputes, securities fraud, etc. These individuals need to have knowledge of both accounting and law, since they often work closely with law enforcement and appear in court. Many public accounting firms offer this forensic service along with the many other types of services they do (Bureau of Labor Statistics, 2004, pg 2).

### *Survey of Discourse Practices*

Like any other profession, the field of accounting has its own unique language and discourse practices. Oral and written communication are equally important to the accounting profession, and the use of the oral or written form depends on the situation. Some of the main types of written documents are annual reports, financial statements, tax forms, and memos.

Examples of oral communication are proposals, interviews, meetings, presentations, and consultations.

Financial statements, an example of written communication, are a presentation of an organization's current financial position, and they help relay how successful the business is or was during the year. These statements contain various parts, the main ones being the income statement, statement of capital, balance sheet, and the statement of cash flows (Understanding Financial Statements, 2004). These are produced in a written form, and are also included in the annual report of a business. The audience for these statements varies widely, because these documents contain such a large amount of information. Some of the main types of audiences are bankers, investors, suppliers, managers, customers, and financial analysts (Accounting, 2003). Regardless of their relationship with the business, these people all have an interest in the company and rely heavily on this information.

While accounting relies heavily on written discourse, oral communication is also very important. Management accountants use their oral skills quite frequently as they have to interact with managers and other business representatives. After preparing their written statements and calculations on various budgets and proposals, they present those to management by both written and oral format (Bureau of Labor Statistics, 2004, pg 2). Because of this, the oral skills of an accountant must be sharp; otherwise the information will not be communicated efficiently.

There are many different types of media that are used to communicate accounting information to various audiences. For the formal reports, such as financial statements, the internet is frequently used to relay this information to the wide audience. The information communicated by management accountants is often done using face-to-face discourse, since they



need to communicate directly to management. Other types of media often used in the accounting profession include journals, written publication, email, and other types of electronic means.

To first-hand document the different communication practices of the accounting profession, I recorded and analyzed my interview with Chuck Harter, Associate Professor of Accounting at NDSU. Although Harter is not in the field of professional accounting, but rather the academic field, he is very knowledgeable in the professional field and shares many of the same communication practices. According to Harter, the main forms of discourse he uses are email, memos, reports, conferences, and face-to-face communication. He uses oral communication thirty percent of the time and written forty percent. The characteristics of the situation are what influence him to use one method or the other. The most interesting thing I found from the interview was that he uses proper language and format for everything he writes, which is consistent with the field of professional accounting.

### *Analysis of Audit Report*

The document I chose to analyze was an auditor's report to the supervisory board and shareholders of SGS-THOMSON Microelectronics N.V., which was included in the company's annual report. The author of this document is the accounting firm Arthur Andersen & Co., and the individual auditor's name was not included. The intended audience this document was written for are the shareholders of SGS-THOMSON Microelectronics N.V. and any potential investors or stakeholders. As stated before, this document is part of this company's 1995 annual report. The purpose of this audit report is to provide assurance as to whether the financial statements are free of material error (Arthur Andersen & Co., 1995). This assurance is needed so potential stakeholders can rely on this information to make important business decisions. This report is very general in nature, and is the case with every financial statement auditor report. The

reason for this brevity is because the audience does not want a lengthy document, but rather a brief report certifying the financial statements.

To further examine this document, we will take a look at the persuasive elements, which are logos, ethos, and pathos. Logos, which means logical reasoning, takes a look at the evidence and facts that are associated with this document (Sullivan, 2004). This document appears to present sufficient logical reasoning, and this is evidenced by a couple of examples. First of all, in the first paragraph, the author discusses the situation and reason for writing this report. In the second paragraph, the author explains that they used accepted audit standards when doing this audit, and uses this as a reason to trust the audit opinion.

While logos take a look at the logic of the document, ethos examines the character of the writer (Introduction to Ethos, 2004). This helps the audience to determine if they can trust the writer and rely on the information he or she is communicating. When examining this document, it is not hard to notice that the author is a former prestigious accounting firm. Because of recent scandals involving this firm, most individuals reading this report would be very skeptical of the information. Based on this, the ethos of this document is very weak, and does little to persuade the audience.

The final persuasive element, pathos, refers to the emotion that the author uses in the document (An Introduction to Pathos, 2004). This audit report has little, if any, emotion and does not attempt to use this element to persuade the audience. Audit reports are intended to be professional in nature and is the reason pathos is not used in the document. The authors of audit reports, instead, usually rely heavily on logos and ethos in their documents.

The structure of the report is very basic and is intended to be that way. The report is set up in a full-block format, which means that everything in the document is left aligned. The

report is set up in three paragraphs, each having their own purpose. The first paragraph discusses the reason for writing the opinion, while the second paragraph explains why the opinion should be trusted. The final paragraph states the firm's final opinion, which in this case is a favorable one. Although brief, the audit report summarizes the firm's opinion and reasoning in three short paragraphs and is an essential part of an annual report.

## **CONCLUSION**

### *Summary of Findings*

This research produced many valuable facts and findings regarding the communication practices of accountants. I first learned that there are many different subcategories of accountants that each have their own common practices, but share many of the same discourse practices. All of these subcategories of accountants do some type of record keeping and help present the financial position of a company or individual. Also, all of these accountants rely on both oral and written communication to relay information to members of their audience. The medium through which the audience receives the information varies with the situation and how the information needs to be relayed. Finally, I learned many things by examining a specific audit report. I looked at the purpose and basic structure of the report, and also examined the persuasive elements found in the document. This examination helped me to become more aware of some of the discourse practices involved in the accounting profession.

### *Conclusion*

After conducting this investigation, it became clear that oral and written discourse are truly a valuable part of the accounting profession. These two types of communication are both important and are used in day-to-day situations. While some occupations use a lot of informal communication, the accounting profession uses mainly formal discourse in order to maintain the

prestige of the profession. With this information, we can better understand why accountants exhibit certain communication practices and why these practices are so greatly needed in the profession.

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## **1995 ANNUAL REPORT**

### **SGS-THOMSON Microelectronics N.V.**

#### **AUDITOR'S REPORT**

To the Supervisory Board and the Shareholders of  
SGS-THOMSON Microelectronics N.V.:

We have audited the accompanying consolidated balance sheets of SGS-THOMSON Microelectronics N.V. (a Dutch corporation) and subsidiaries as of December 31, 1995 and 1994, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1995. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of SGS-THOMSON Microelectronics N.V. and subsidiaries as of December 31, 1995 and 1994, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1995 in conformity with generally accepted accounting principles, as applied in the United States of America.



Arthur Andersen & Co.  
Amsterdam, The Netherlands  
January 26th, 1996