

Summary of Devotions in Accounting

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“Devotions in Accounting” is one of several new chapters that will be added to the next edition of the book, *Accounting Through the Eyes of Faith*. The book is an anthology of chapters written by Christian accountants and compiled by Dr. Bower at Eastern College. After setting the stage with a series of core theological values, “Devotions in Accounting” follows the topical outline of a typical principles of accounting textbook. Each devotion contains a scripture reading to reinforce a biblical concept or principle and a direct linkage to an accounting principle. They are great integrative discussion starters; and if you teach accounting at any level, you will also find the ideas useful.

Integration as a Goal

One of our goals as Christian business faculty is to promote spiritual formation within our students. They generally have the same goal in the form of a wish or desire to serve God, but they lack a focus or a plan. Spiritual training is what we offer as faculty. We use the Bible as a casebook of God’s interaction with those who choose to follow Him. Our students learn integration through the probing of Bible stories from a business perspective, thereby developing their ability to think inclusively. Students tend to compartmentalize their thinking into a spiritual realm and a business realm and they often have great difficulty integrating the two.

Integration Defined

Our task as Christian business faculty is to provide a means of seeing the entire world through a spiritual perspective. When we are successful, our students will apply spiritual principles to the business world; and conversely, business principles will help them understand scripture. In the end they will be able to think inductively by making a contrast and comparison within and across problem situations. They will be able to identify common elements between spiritual principles from the Bible and the different business situations presented in or outside the classroom. At this point true integration is taking place.

An Example, The Entity Concept

The concept of “Separate Entity” is critical to the ability of the accounting equation to properly record transactions and measure performance. What type of entity is God? What type of entity is our spiritual life? Read *John 10:25-38*. The “God Head” acts like a partnership. The relationship between the Father, Son and Holy Spirit is one of mutual agency. We, on the other hand, are more like a publicly held corporation that requires outside investments to grow spiritually. We receive investments from parents, friends and from the Holy Spirit at work within our lives.

Devotions in Accounting

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Introduction

One of our goals as Christian business faculty is to promote spiritual formation within our students. They generally have the same goal in the form of a wish or desire to serve God, but they lack a focus or a plan. Spiritual training is what we offer as faculty. We use the Bible as a casebook of God's interaction with those who choose to follow Him. Our students learn integration through the probing of Bible stories from a business perspective, thereby developing their ability to think inclusively. Students tend to compartmentalize their thinking into a spiritual realm and a business realm and they often have great difficulty integrating the two.

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Pedagogy

My attempts at integration occur both systematically and spontaneously throughout the limited time I have with each student. Professors are always looking for that teachable moment. Friendships with students are developed in and outside of the classroom and often continue beyond graduation. The most intense times of mentoring occur during office hours but certainly the classroom provides the most consistent time of interaction and probing of Biblical principals. It is absolutely essential that the classroom be viewed as a safe environment in which to express opinions different from those of the professor. Sometimes it is more critical to understand what the student is saying than to have one's self understood. I pray regularly for the gift of being able to gently challenge a student's line of reasoning without going so far as to threaten their feeling of safety in expression. Spiritual formation is impossible without the working of the Holy Spirit on both the teacher and the student.

I use the following devotions to start my principles of accounting classes. After setting the stage with a series of core theological values, the devotions follow the topical outline of a typical accounting book. I find them to be great integrative discussion starters and pray that if you teach accounting at any level, you will also find the ideas useful.

Ten Core Theological Questions & Values:

1. Is your attitude about money a theological issue? Does it matter in terms of finding salvation? The answer is YES! *Read: Mark 10:17-27 or Matthew 19:16-26 or Luke 18:18-27.* This is commonly referred to as the parable of the “Rich Young Man” who “*went away sad because he had great wealth.*” The point of the story - Wealth is a hindrance to following Jesus. Poverty will not necessarily save a person and wealth will not necessarily condemn a person to Hell. It is simply more difficult for the rich than for the poor to follow Jesus.

2. Can riches choke the word of God and it produces nothing? Jesus loved to tell stories with a heavenly meaning (a Parable). *Read: Matthew. 13:3 or Mark 4:3 or Luke 8:5.* Known as the “Parable of the Sower.” The Word of God is like seed sowed in the world. According to the story, the seed sowed in thorns and choked by them is the person who hears the Word but is choked by the lure of riches and the worries of this world. Wealth keeps the seed from growing and limits the ability to respond to the Good News. This is why the gospel is often more easily received and accepted in less financially affluent communities.

3. What is idolatry? The root word is idolize. It means excessive devotion to a material object. From God’s perspective it is a matter of trust. Who do you trust for security? *Read – Matt 6:19-20.* Jesus says your heart will follow your treasure. Everything about the world teaches us to trust in our wealth for security. Wall Street and Hollywood have become holy ground for the idolatry of wealth and power. Should you save for your retirement? Yes, our culture does not place the burden of elder care on the children. But the real issue is; whom do you really trust to take care of you? Your pension plan or God?

4. Does God ever call anyone a fool? YES! *Read Luke 12:13-21.* The man who hoarded his possessions is **not called** wicked, he is called a fool. Is greed good? One of the finance web sites runs a column called “Greed is Good.” Greed means never having enough. Never enough cars, homes, share of corporate ownership or bonds. It is never enough. Jesus says the greedy are foolish. They are mistaken about life. Life, according to God does not consist in the abundance of possessions.

5. How important are generosity and the repayment of a wrong? In many cultures the tax collector or tax forms preparer negotiates the tax amount with the individual taxpayer and then negotiates for a lower amount from the taxing authority. The difference belongs to the tax preparer as fees earned. Rome used such a system in the time of Jesus and the Italian government today still uses a similar system. We have a story in the Bible about a senior tax collector named Zacchaeus. *Read Luke 19:1-10.* His response to the message of Jesus was extreme generosity. He gave half of his property to the poor and repaid those he cheated four times! In the words of Jesus, “*Today salvation has come to this house.*” Certainly poverty does not mean moral purity, and wealth does not bar salvation. But in this story Zacchaeus trades his wealth for salvation. He was a much different tax collector after the encounter with Jesus.

6. Is there any association with wealth and oppression? Have you ever been sued by a poor man? *Read – James 2:1-9.* James condemns those who make class distinctions in the church. Who are the leaders of the church today? Is it the poor or the rich and successful that we elect or appoint into leadership positions? We equate success in the business world and success in the spiritual world. Decisions of leadership positions based on a person's wealth are wrong. James says that it is usually the poor that are rich in faith.

7. How critical is economic justice to salvation? *Read James 5:16.* James harshly condemns the wealthy for not paying a fair wage. An unjust distribution system is also condemned. This passage establishes the "Rust Principle." If you have possessions that are idle and rusting away like an old car or boat or motorcycle, then you have too many possessions. Ownership carries responsibility. You need to get rid of assets that you do not use. Jesus says, "*Go sell your possessions and give to the poor.*" *Matthew 19:21.*

8. What was the goal of giving to the church in the New Testament? Sharing resources was a central part of the early church. *Read Acts 2:44 – 47.* What are our goals in church giving today? Examine your church budget and see how much is allocated towards serving the poor. What is your church doing to meet the needs of the homeless?

9. The Old Testament details God's physical blessings on those that follow Him. The kingdom had a physical presence in the nation of Israel and in God's Holy Temple. Did Jesus make a fundamental paradigm shift in the Kingdom of God from the physical to the spiritual? *Read John 18:36-38.* The spiritual kingdom promised by Jesus does not promise physical wealth as a sign of God's blessings, nor is wealth considered evil. The streets of Heaven are described as being of pure gold. There is also no command to repudiate the wealth of the physical world. We are to live in it but not become seduced by it. James 4:4 & Luke 9:25.

10. Do you ever feel a sense of inconsistency in the passages that deal with wealth? *Read Hebrews 13:1 & Matthew 6:19.* We are commanded to be hospitable, but hospitality takes resources. It is easier for the person with an extra bed to entertain the stranger? It is impossible to provide for the physical needs of others unless you possess some resources of your own. How much to own and how much to give away is a constant dilemma for North American Christians. The critical issue according to Paul in I Timothy 6:17 is HOPE. Do we place our "hope in God" or place our "hope in wealth, which is so uncertain."

Double-entry Accounting

What is the origin of double entry accounting? Was modern accounting divinely inspired? Two professions maintain justice and social order. They are accounting and law. Our God is a God of justice. *Read James 5:4 & 5.* How do you know what you owe the laborers without an accounting system? How do you know what is a just profit unless you record revenue and all expenses (the matching principle)? As trading partnerships developed in the 1200s, the church had a great concern over the calculation

of a just profit; and it may have been the great theologian St. Thomas Aquinas that developed the accounting system that we have today.¹

Debits and Credits

The most famous credit in the Bible was the faith of Abraham (Gen. 15:6). *Read Romans 4:1-8*. Paul quotes the reference to Abraham's credit seven times in the New Testament. The business term "credit" actually came from the Greek translation of the Bible known as the Septuagint. Paul was raised as a Greek and would have studied the Septuagint. In God's accounting equation we are an accounts receivable, and credits decrease our debit balance. The term credit is also used in Romans 4:4 when referring to the increase in wages payable. Can our human credits save us; or said another way, can we earn our salvation? The answer is no. Only the blood of Jesus Christ frees us from sin and death.

Measurement Issues

What does accounting measure? Not all financial transactions are measured by the accounting system. The signing of a contract or a pricing decision can have a significant financial impact on the organization, but are not recorded in the accounting system. An organization's most important assets are usually its human capital, also not recorded in the accounting system. What does God's spiritual accounting system measure? Actions, yes, but also motives. *Read Matthew 5:27-29 and 43-48*. We are called upon to have pure thoughts and pure hearts with unbounded love for our enemies. God sees our actions, knows our hearts and judges our motives.

The Entity Concept

The concept of "Separate Entity" is critical to the ability of the accounting equation to properly record transactions and measure performance. What type of entity is God? What type of entity is our spiritual life? *Read John 10:25-38*. The "God Head" acts like a partnership. The relationship between the Father, Son and Holy Spirit is one of mutual agency. We, on the other hand, are more like a publicly held corporation that requires outside investments to grow spiritually. We receive investments from parents, friends and from the Holy Spirit at work within our lives.

The Accounting Equation

If God needed to keep accounting records and used the accounting equation, what would the equation look like? The assets would include all of heaven and earth. Inventory would have included mankind before the fall. After the fall we became accounts receivable to God. Each of our sins increases our accounts receivable on God's books as well as an increase to his liability account called sin. A God of justice must punish sin. *Read Matthew 9-13 & Genesis 15:6*. The scriptures consistently equate sin with debt and faith as a credit against our accounts receivable held by God.²

¹ ACCOUNTING'S SAINTLY ANCESTRY, The possible Influence of Saint Thomas Aquinas on the Development of Double Entry Accounting, Accounting Through the Eyes of Faith, compiled by Jack E. Bower, Eastern College, 2000.

² HEAVENLY ACCOUNTING, God's Accounting System Revealed Through the Scriptures, Accounting Through the Eyes of Faith, Compiled by Jack E. Bower, Eastern College, 2000.

Generally Accepted Accounting Principles (GAAP)

How critical is trust in human relationships? In financial relationships between investors and corporations, trust is defined as Generally Accepted Accounting Principles (GAAP). Our relationship with God is also one of “*trustworthiness*.” *Read Luke 16:9-13*. Jesus calls us to be trustworthy in our handling of worldly wealth so that God can trust us with true spiritual riches.³

Revenue Recognition

When is revenue recognized? This question continually presents itself on the pages of the *Wall Street Journal* in a section called, “Money and Investing.” Corporations, analysts and shareholders argue principles of revenue and expense recognition with the Securities and Exchange Commission (SEC) and sometimes in the courts. Humans do the same thing with God. We suppress our conscience and rationalize away sin until we convince ourselves that God does not see or care about our little injustice or careless words. *Read Matthew 12:33-37*. Jesus says it all gets recorded and that we will face our sins on the judgment day.

Money Measurement

Accounting uses money as a unit of measure. If it cannot be expressed as money, does it get recorded as a journal entry? The Old Testament gave the Jewish nation some specific measures of sin. Jesus shifted the paradigm and changed the unit of measure. *Read Matthew 5:21-25*. This is our call as Christians, to be salt and light in a fallen world by changing the unit of measure. We ask others to consider following Jesus, making Him Lord of their lives, and then we ask them to see every transaction through a new spiritual lens.

Journal Entries

High school and college students are often required to keep a written journal of their experiences as method of learning through writing. Story telling was a common instructional method of Jesus; and the scriptures are a sort of journal of the Jewish Nation, the life of Jesus Christ and the history of the church. Luke for example, provides the most “*orderly account*” of the life of Jesus. In journalizing for a business, there is always the issue of materiality. Only the material or significant events are recorded, requiring a great deal of judgment on the part of the accountant. The same issue of materiality faced the gospel writers as they journalized the life of Jesus. *Read John 21:24-25*. In our spiritual lives, Jesus calls us to be accountable for the material issues of life. Every sin hurts God, but we tend to minimize our own sins and magnify the sins of others. Jesus said we should not to try to remove a speck of dirt from a brother’s eye while we have a log in our own eye. (A little godly humor over how we spiritually journalize what is material and what is not material.)

The Matching Principle

Periodicity and the matching principle attempts to provide for a trustworthy net income. Adjustments to the accounting records recognize revenue and expenses in the proper time

³ SCRIPTURAL ADMONITION TO STUDY ACCOUNTING, *Accounting Through the Eyes of Faith*, Compiled by Jack E. Bower, Eastern College, 2000.

period. It is an essential accounting principle for trustworthy earnings, but it does not work in terms of salvation. As humans we have a tendency to match our good deeds against our bad deeds, and then feel good about ourselves. Can a dedicated life of service to God guarantee salvation? The answer is no! Only through the blood of Jesus Christ can we find salvation. It is not earned, it is not worked for and it is certainly not a matter of doing more good deeds than bad deeds. *Read Ephesians 2:4-9.* Salvation is a gift from God, pure and simple.

Closing Entries

Closing entries move or transfer the balances from the temporary accounts into the permanent accounts. For nonbelievers the final closing of their spiritual books will be when they face death and make the transition from the physical world to the spiritual world. All temporary accounts on this earth will be closed. *Read I John 3:11-20.* When we accept Jesus Christ as King of our lives, the books of our old life are closed and we pass from death to life. Those who choose life have their names recorded in the “*Book of Life.*” The Apostle John says in verse 17 that the evidence of this transfer from death to life is the way in which we address the needs of the poor with our material wealth.

Trial Balance

We are encouraged to continually evaluate our lives in light of the Word of God. This can happen in times of prayer and for many Christians it happens during communion. *Read Corinthians 11:23-34.* The accounting records are also periodically examined to see if they are in balance. The test of the balance of the system is called a Trial Balance. Until a proper trial balance is made, the accountant can be in error and not know it. So it is with our spiritual lives. We need to periodically stop and take perspective. Evaluate our lives and see if we are in balance with the will of God for our lives.

Merchandising Operations - Inventory

What does our spiritual inventory look like? Jesus describes us as being fruit-bearing trees and branches. *Read Matthew 7:15-20.* If our heart, mind and soul are committed to God then we will produce good fruit. If we are rotten on the inside, we will produce bad fruit. Jesus says you can know a tree by the fruit it bears. What kind of fruit are you bearing for the Kingdom of God?

Merchandising Operations 2

The concept of trading, buying low and selling high, is described in the parable of the talents disclosed in Luke 19:11-27. This passage might be an illustration of the investment of spiritual gifts. Most often in scripture, however, our spiritual inventory is not described as something we purchase and then sell. It is more like the inventory of the farmer, which grows from seeds into a harvest, if properly planted and watered. *Read John 15: & 2 Corinthians 9:6-11.* Sometimes we plant, some times we water, our challenge is to sow generously in order to reap generously.

Merchandising Operations 3

Does God use a periodic or perpetual inventory system? In God’s accounting system we became accounts receivable after the fall. The inventory of the earth is under His

constant care. *Read Matthew 10:29-31.* Consider the number of people on the earth and the number of hairs on each head. Can God do exponential math or what? Jesus says that God uses a perpetual inventory system.

Full Disclosure

Financial Reporting requires full disclosure. This means that significant events and financial transactions of a magnitude that would influence a decision maker must be explained on the financial statement or in the footnotes. What about spiritual reporting to each other? *Read Matthew 6:1-6.* God's system of spiritual reporting to Him is of course full and complete. He knows all and sees all. But our reporting to each other is just the opposite of full disclosure. We are in fact to keep our good deeds a secret from friends and if married, even from our spouse. The left hand should not know the good deeds of the right hand.

Principles of Cost-benefit, Control and Compatibility & Flexibility

Accounting software supports operations and is essential to the continued growth of the company. Computer system design follows four principles: Cost-Benefit, Control, and Compatibility & Flexibility. The same principles hold true for evaluation of the church fellowship to which we belong. *Read Ephesians 5:10.* Questions about fellowship and where we belong in the Kingdom are some of the most difficult spiritual questions we face on this earth. Paul's admonition is to pray and search for God's will in your life.

Subsidiary Ledgers

Accounting systems use subsidiary ledgers to group accounts receivable, accounts payable, inventory, etc. Does God use subsidiary ledgers? *Read Revelation 20: 11-12.* YES, the Book of Life is a subsidiary ledger. Pray that your name is found in the Book of Life!

Bank Reconciliation

Bank reconciliations are a reality check. The bank statement generally is the transactional truth; and our accounting records are adjusted to conform to the economic reality of the bank. *Read 2 Corinthians 5:18-19* 'God...gave us a ministry of reconciliation.' There is a spiritual reality that God will punish sin. There is also the reality that God has reconciled the world to Himself through Jesus Christ. The accountant has a duty to reconcile the company books to the economic reality of the bank's transactions. We as Christians have a ministry of reconciliation between the world and God the Father.

Internal Control

Internal control is absolutely critical for a business to function according to management's established procedures and policies. What are God's internal controls in your life that keep you true to Him? Internal control policies include but are not limited to the following. **Authorization** - the Bible, *Hebrews 4:12-13*. **Recording transactions** - the Holy Spirit help us determine what is sin. *Acts 5:3*. **Documents and records** - an all-knowing God does not need to keep records; yet in our own lives of producing fruit, we are not to record or show our good deeds. **Limited access** - our conscience helps us

to limit our exposure to sin and to know what is good and beneficial for spiritual growth. **Periodic independent verification** – as brothers and sisters in Christ, we hold each other accountable for what is good and pure and holy. **Separation of duties** – each of us in the kingdom has a calling, a duty to perform. We are not all feet or hands. **Sound personnel policies** – choose your friends wisely, for “*whoever mixes with fools will be ruined.*” *Proverbs 13:20.*

The Credit Dilemma

Every business is concerned about the time it takes to collect accountants receivable. We call this ratio “days sales outstanding” or DSO. The critical factor affecting this ratio is the companies’ credit policies. Trusting everyone with unlimited credit will guarantee business failure. *Read Matthew 5:38-42 & Proverbs 22:26-27.* On the one hand, Jesus calls upon us to be very generous in our policies of lending. You are to love your enemies and lend to the person who wants to borrow from you. You are also encouraged from the passage in Proverbs not to provide the collateral or inventory for debt. Setting credit policy is a very difficult area for Christians who want to trust everyone, yet have their business survive financially.

Short-term Investments

Short-term investments fall into one of three categories. Trading Securities, Available for Sale Securities or Held-to-Maturity Securities. What are you spiritually? We all would like to be in the “Held-to-Maturity” category. Staying faithful to God takes reliance upon Him and emotional strength and commitment. *Read Romans 7:14-25.* We all want to strive mightily against sin. Yet often we fall in the struggle; and it is at that point, we realize our own weakness. Unfortunately, it does not get easier with age. For most people, emotional strength decreases with age. As we age, we cry at events that would never have previously affected us. Only by the power of God can we remain faithful for a lifetime.

Allowance for Doubtful Accounts

Every business is forced to face the fact that every customer is not going to pay his or her bill, some for a lack of financial resources and others because they are swindlers. To quote King David in *Psalms 37:21*, “*The wicked borrows and will not repay.*” The correct accounting treatment is to create an allowance for doubtful accounts to estimate the amount of nonpayment. The reality is that humans are not always dependable and will disappoint us. To quote Paul, “*For all have sinned and fall short of the glory of God.*” Even believers in dealing with each other still have a sin nature. *Read I John 1:5-10.* The good news is that God will not fail us. He is trustworthy yesterday, today and tomorrow. He is a consistent friend and source of power and light for doing good in our lives. We serve an awesome God!

Inventory 1

We are a part of God’s inventory. Can you name God’s asset list from Genesis, chapter one?: 1. Heavens & Earth & Light. 2. Air (Sky). 3. Water & Vegetation. 4. Our Sun & Moon. 5. Birds & Fish. 6. Living Creatures & Man. 7. God Rested! *Read Genesis 2:15.* God gave to mankind a charge to work the earth and care for it. After the fall of mankind

the ground was cursed; now enters painful toil, thorns and thistles into the human experience. One problem is that we confuse possession with ownership. God put us in possession of earth, but it still belongs to Him. Man is the caretaker, not the owner. In Leviticus 25 God says, “*For the land belongs to me and you are only strangers and guests of mine.*” The problem also surfaces in the environmental debate. Regrettably, many people choose to ignore the environmental crisis, while others go to the opposite extreme where the earth has become a god. Mother Nature has taken on a spirituality of her own and defining her has become a new religion.

Inventory 2

God created us as inventory; and after the fall, we were reclassified as accounts receivable. Do we still belong to Him? Do our bodies belong to Him? *Read I Corinthians 6:20.* What does it mean to honor God with your body? How you answer the question of ownership will determine your position on the abortion issue. If we own our bodies, then a mother has the right to terminate the life within her. If it is God’s body, the mother’s rights are limited to His rules and principles. Respect for life at conception is a sound biblical principle.

Inventory 3

Does God use a LIFO or FIFO inventory system? *Read Matthew 20:1-16, Matthew 19:30, Mark 10:31 and Luke 13:30.* “*There are those who are last who will be first, and first who will be last.*” God uses a LIFO system. But what does it mean? From Matthew 20 it can be inferred that those who accept the work of God early in the history of the kingdom will be last in line and those who accept Him at the end of the period will be the first in line to enter heaven. Is these what these passages teaches us?

Long-term Assets 1

Jesus is not against investing in long-term assets. He is against investing in the wrong long-term assets. Repeatedly the scriptures encourage us to lay-up treasure in heaven. *Read John 14:1-3.* The place Jesus is preparing for us, is it a room in God’s house or a mansion of our own? It was the translators of the King James Bible that used the word “mansion” to represent the place prepared for the saints and songs like “Mansion over the Hilltop” that made the idea so popular.⁴ Do you expect to find great personal wealth in heaven?

Long-term Assets 2

Land tenure was everything in Old Testament times. Real wealth or what was known, as a true estate was only real if it included land. Hence the term a “real estate.” *Read Leviticus 25:23-28.* God was very concerned about property rights and the wealth it controlled. Is this how we define wealth today? No, most of our modern wealth at the corporate or personal level is intangible assets. We use the expression “capitalization” to refer to modern wealth. The “equity capitalization” is the market price of the shares times the number of shares outstanding. Shares are intangible assets that define a legal right. The critical question; “To what extent is this wealth the product of injustice?” We

⁴ #881 “Mansion over the Hilltop” by Ira Stanphill, Songs of Faith & Praise, Alton H. Howard, 1997.

have a moral responsibility to make an analysis of the profit-making activities and the social agenda of the corporations in which we invest.

Long-term Assets 3

Often the ownership of assets is a disputed accounting issue. Leases for example can be operating leases or capital leases. Capital leases are recorded on the Balance Sheet and operating leases are not. We are taught by scripture that our bodies are not our own. The earth and everything in it belongs to God. What about your soul? Do you own your soul? Can you sell it to the devil? Read John 13:21-30. What protection do you have against Satan? Two of the most difficult chapters in the Bible are Romans 9 & 10, addressing the relationship of God, man & Satan. Actually, Romans chapter 9, 10 & 11 should be read together for a full understanding of free will and predestination. We have the indwelling and protection of the Holy Spirit for our souls. God holds the title and we have unlimited use of this asset. Our souls are an operating lease from God.

Deferred Gains and Losses

One of the most complex topics in the revelation of God is deferred redemption. The Old Testament atonement process is described in Leviticus chapter 4 and chapter 16. *Read Romans 3:21-31.* The New Testament writers tell us that sins before the death of Jesus Christ were unpunished; they were deferred until the time of Christ. This is a difficult concept. So is the concept of deferred gains and losses for like-kind exchanges. Deferred gains and suspended losses are reflected in adjustments to basis. Like Old Testament sins, they are suspended in time waiting for redemption to occur.

Debt 1 – God’s Liability Account

The scriptures consistently equate sin with debt. We owe God for our trespasses, what we call, “sin.” Jesus came to “forgive our debts as we forgive others who trespass against us.” (Lord’s Prayer) *Read Matthew 18:23-35.* It is very interesting to study the cultural patterns of perceptions towards debt. In the time of Jesus, debt could mean imprisonment. There are no debtor’s prisons in the United States, but U.S. culture still debates the proper punishment for debt as defined in U.S. bankruptcy laws.

Debt 2 – Ideal Capital Structure

Is debt good or bad? Excessive credit card debt in some cultures has become a financial epidemic. Nonprofit organizations offering debt counseling abound. What is the proper attitude for a Christian to have towards debt? *Read Romans 13:1-10.* Paul encourages us not to be in debt to anyone for anything, except a debt of love to each other. To be totally debt free should be a personal financial goal. In the world of corporate finance, the most profitable debt level depends on the stability of earnings over time; and hence, the debt rating or cost of debt. For a company, an ideal capital structure balancing both debt and equity can contribute significantly to earnings. The ideal capital structure for an individual or family often means the assumption of a mortgage and home ownership. Over time, homeownership can also contribute significantly to savings.

Debt 3 – Repayment Period

How long a time period should we finance debt? The Old Testament law contained a redemption principle for debt every seven years and the returning of land to the original owners every fifty years. *Read Deuteronomy 15:1-6 & Leviticus 25:8-12.* Should we forgive debt every seven years? The “Jubilee” concept of debt forgiveness was a theme fulfilled by Jesus Christ. At the beginning of His ministry, Luke 4:18, records him reading scripture in the synagogue and telling the audience that he was the personification of the year of Jubilee. Jesus came to earth as a man to free us from the chains of sin and death. As followers of Jesus Christ, we have the same mission statement. We become the reverse of the mortgage brokers. We tell others how to be debt free!

Partnerships

Partnerships were a common business entity in New Testament times. Simon, John and James, the sons of Zebedee, were in a partnership. *Read Luke 5:6-11.* Like Simon, John and James, we are called to join a partnership that fishes for lost souls. How do you feel about the term “partner” versus that of the term “brother or sister”? Paul used the term partner when referring to Christians with whom he had a working relationship, such as Titus (II Corinthians 8:23) and Philemon, the master of Onesimus (Philemon 17). Is this a good biblical term that we should use today?

Corporate Form

What is the meaning of the term incarnation? The word means to take human form. When God became man, Jesus was the incarnation. How human was Jesus? Could he miss the pin with a hammer and smash this finger? Did he ever trip and fall down? *Read Mark 11:12-14.* The word "incorporate" means to make into a body. A corporation is a creature created by state statute. It is a type of incarnation. It is the assumption of a body by a legal entity that is then owned and directed by the shareholders. What we look forward to is the reverse of incarnation, when the church is transformed into the Bride of Christ.

Common Shareholders

We are shareholders in heaven. But are we common shareholders or preferred shareholders? Consider our rights as shareholders. We have no votes and we are callable souls in God’s eyes. This means we hold convertible preferred shares and we are looking forward to being called and converted. Dividends can be considered gifts by the shareholders. Does God pay dividends? Luke discloses that we received the gift of the Holy Spirit when we accepted the Lord in baptism, Acts 2:38. The difference between corporate dividends and spiritual dividends is that the spiritual dividends are not proportionate to the number of shares we hold. *Read Ephesians 4:7-8.* A common translation is “apportioned” or “allocated” referring to the distribution of spiritual gifts.

Discontinued Operations

The income statement is divided into income from continuing operations and all other one-time events that happened that year. For many companies there are discontinued

operations, these are usually unprofitable activities that management wants to terminate. *Read Ephesians 4:22-25 & 1 Peter 1:14ff.* As Christians we are called to reform our lives and “to put off the old self, which is corrupted by its deceitful desires, to be made new in the attitude of your mind.” We are to cut or discontinue the spiritually unproductive activities in our lives.

Statement of Shareholders Equity

Business organizations generally fall into three organizational forms: Sole Proprietorship, Partnership or Corporation. What kind of business form do you have as a Christian? Are you a Sole Proprietorship who tries to stand on your own? Is it a partnership between you and God? A partnership sounds like we have some type of equality with God and we know that would be wrong. What about the corporate form? God is the principal investor and He uses the Holy Spirit and other people to mold and shape us into His image. *Read Isaiah 64:8 & 9 or 45:9.* The “Statement of Shareholders Equity” discloses the different types of investors in a corporation? What would your “Statement of Shareholders Spiritual Equity” look like? What are the supporting ligaments of your spiritual growth? You might have one column for parents, one for teachers and another for brothers and sisters in Christ. All of us would have the disclaimer that says, “God is still working on me.”

Share Value

The word “Value” is perhaps the most over-used term in finance. We hear expressions like, “does it add value,” or “is the stock over valued?” The term “Christian Values” might be the most overused term on Family Radio. In a day when values are in question, it is good to remind ourselves of the value that God places on each one of us. *Read Matthew 10:31 & Luke 12:7.* Perhaps the baptism of Jesus as recorded in Matthew 3:17 is the clearest expression of the questions we have about our identity. God answered three questions for Jesus: Who am I? “This is my beloved Son.” What is our relationship? “whom I love.” How am I doing? “with Him, I am well pleased.” Each believer needs to hear those same words from the Holy Spirit that indwells us. Matthew 27:9. We are all of value to God.

Statement of Cash Flow 1

A common expression in the corporate finance world is “Cash is King.” Everyone knows that cash concerns rule. Employees will tolerate a lot of internal problems as long as the paycheck does not bounce. In the nonprofit sector, cash flow is even more important. *Read John 18:33-37.* The spiritual world has a king and His name is Jesus Christ. As Christians we are members of the Lord’s Kingdom. What difference has his kingship made in your life?

Statement of Cash Flow 2

What if all of the believers in Jesus Christ were placed on a standard distribution curve. The majority of Christians, centered around the mean, as a part of their normal daily operations maintain a consistent pray life. They find time for serious study of the scriptures and feed themselves by being regularly involved in a worship context. They do not need continual spiritual investment by others. The left tail of the distribution

would be pastors who are so efficient in their spiritual operations that they can invest in the spiritual maintenance and support of others. The right side of the curve are those individuals that need continual emotional and spiritual support to remain faithful to God. They have negative spiritual operations that need to be financed by others. *Read Ephesians 4:14-17.* The business world divides the activities of an entity into three categories: operations, investments and financing. Some businesses support themselves from operations. Others, like pastors, are efficient at operations and can make investments in fixed assets. Still others, like most of the dot COM companies, have negative operations and need continual financing by outsiders in order to survive. Are your daily spiritual operations self-sufficient? Do you get enough time alone with God and in the fellowship of the saints to empower yourself spiritually?

Statement of Cash Flows 3

A positive cash flow from operations (CF Op.) is a measure of financial strength. Financial ratios, which use net income, can also be modified to assess the strength of cash flows by substituting CF Op. in place of net income. For example, the measure for margin is net income over sales. The ratio of CF Op. over Sales produces a ratio similar to margin. What is a good measure of our spiritual strength? *Read Matthew 17:20-21.* Most Christians acknowledge that faith is the key to being strong for God. Imagine for a moment, a tree in the morning sunshine after an ice storm the night before with all the branches covered in ice. The tree is blocking your view of the sun, but the branches all covered in ice are refracting the sun's light. So it is with faith, like the sun in the tree example, we can only see the evidence of faith. "*Faith is the substance of things hoped for the evidence of things unseen.*" (Hebrews 11:1-2) Pray that God gives you the faith to be strong!

Financial Statement Analysis

Anyone who has ever purchased a used car knows that the perception is often not the final reality. There are generally significant problems with a used car not perceived before the purchase is made. The same can be said for purchasing "used" shares. Shares purchased on an organized exchange are previously owned and therefore fall into the category of "used." With used cars and with shares of stock, the front-end perception is often better than the final result or end perception. Minimizing the difference between the perception and the reality is the purpose of financial statement analysis. The attempt is to remove the surprises by doing a complex study of the company's strategic analysis and available financial data. A careful analysis should also be done as we consider new activities in our lives. Like the used car or that perfect stock pick, sin looks better on the front-end than on the back-end. The old adage: "The grass looks greener on the other side" holds true when we choose what looks like the easy path over God's will for our lives. *Read Luke 15:11-32.* This story is known as the parable of the lost son. The good news is that the father in the story is God the Father, who welcomes us back home after a reckless lifestyle. Sin always looks better on the front-end than on the back-end.

Financial Statement Analysis 2

There are five primary factors we use to evaluate shares of corporate stock. They are risk, technical analysis, value, liquidity and profitability (six factors if you include

prayer). What are the factors we use to evaluate the investment of our time in godly activities? *Read II Timothy 3:13-17.* Most faith groups use the Bible to rule out certain activities and other groups use the Bible to rule in activities. All Christian faith groups, including the Roman Catholic Church search the scriptures for commands, examples and necessary inferences. Are we commanded in the scriptures to build houses for the poor, as do the volunteers of Habitat for Humanity? No! We do not have this command, but it certainly is a necessary inference to the “love your neighbor as yourself” principle. The evaluation of both the use of our time and our money requires considerable wisdom from above. Praying before a share purchase or a commitment of volunteer time will help create value.

Share Price

The formula for share price is $Price = D_1/(k-g)$. Why does the formula use D_1 , the future dividend instead of D_0 the current dividend? Because the share price formula is a derivative of the present value formula $PV = FV/(1+k)^n$. The stock market bases the share price on the future performance of the company, not the present. So it is with the Christian life. Our definition of value is based on a belief in future events, not the present. Elton Trueblood wrote a book entitled, A Place To Stand.⁵ The resurrection of Jesus Christ is our place to stand. *Read John 11:25 & 26.* Where is your place to stand?

Change in Accounting Principle

Sometimes a business must acknowledge that an accounting practice they have been using is not in the best interest of fair disclosure. AOL for example booked their distribution of free trial disks as an asset instead of an expense. Through pressure from the financial community, AOL took a one-time hit and corrected the financial statements. Share price increased as a result of the correction. *Read I John 1:8-10.* Salvation is all about coming clean. Acknowledgement and confession of sin are the beginning point for the cleaning that comes from the blood of Jesus Christ.

International Accounting Standards

What do we mean by the expression, “the world is getting smaller”? What kinds of businesses are forced to think and act globally? Consider the percentage of foreign revenues for some major U.S. companies: Exxon, 77%; General Motors, 31%; Mobil 67%, IBM, 61%.⁶ Did Jesus have a global perspective? YES! The instructions to His disciples were to take the message to the whole world. Perhaps the clearest example is the parable of the Good Samaritan where the hero is a foreigner. *Read Luke 10:30 – 37.* The love your neighbor principle is universal. We have a moral obligation to care about people whom we have never met who suffer poverty and affliction. Lord give us your eyes for the poor.

Business Consolidations and Minority Interest.

Business consolidations should be an attempt to add value to each company. Occasionally they do succeed in raising the share prices of both companies. The resulting combination is a larger and hopefully more economically successful operation.

⁵ Trueblood, Eton, A Place to Stand, Harper & Row Publishers, N.Y. 1969

⁶ Forbes, July 28, 1997, “The 100 largest U.S. Multinationals.”

The parent corporation can purchase the shares in a friendly “takeover” arranged between the two boards of directors or in a hostile manner often resulting in a bidding war between rivals. The shares not obtained by the parent are called the “minority interest.” There are several parallels in the spiritual realm. *Read I Corinthians 6:19 & 20.* Jesus paid for our sins on the cross and we become one with Him in a consolidated relationship. For some believers, it is a friendly merger nurtured by parents and Bible schoolteachers. For others, is it a fight all the way between the forces of God and the forces of Satan? Successful combinations between God the parent and the children (subsidiary entity) always result in an increase in value. Our consolidated statements then reflect the ownership of God in our lives and the minority interest shows the portion of our lives that we hold back, unwilling to give to God.

Equity Method

The equity method is unique to the financial landscape of the United States. It follows the notion that “we are they and they are us.” When the investment target has earnings, the investor has earnings. When the investment target pays dividends, the investor decreases the value of their investment. Consider the relationship of brothers and sisters in Christ. We follow a similar equity principle. *Read I Corinthians 12:12-20.* We cry with those who grieve and rejoice with the joyful. We treat each other as family, “we are they and they are us, we are one body.” We have influence over each other, but not control; this is the equity method of spirituality.

Goodwill or God’s will

Providence is a biblical concept and so is predestination. *Read Romans 8:28–30.* God has a plan for each of us and we pray for a spirit of revelation to know and understand His will for our lives. Most Christians say that it is by His grace (providence) that they enjoy the abundant blessings of life. These abundant blessings are an extra or an overage as a result of being purchased by the blood of Jesus Christ. In accounting language we call this excess value as a result of a purchase, goodwill. The difference is in who paid the price.

Introduction to Management Accounting

Is work good? Is it good to get up each morning and go to work? Does it benefit us spiritually, mentally and physically to be active in earning a living? The people of Haiti were Africans forced into slave labor. They have a saying about work, “If work was good, the white man would have done it.” The Bible tells us that work is good because it is a godly activity. *Read Gen 2:1-3.* We were created as creatures of work. (Gen 2:15) God told man “*to work and take care of it*” (the Garden of Eden). Work gives purpose and meaning to our lives. It is interesting that the answer to the question, “Is work good?” correlates to age. Twenty-year old college students will almost always say, “yes;” but older students in the evening classes will often question the principle as they start to look forward to retirement. What is wrong with playing golf five times a week?

Work with your hands

What is the significance of working with your hands? Is working with physical things superior to working with the mind in God’s eyes? Is physical work of a higher calling or

does it produce more satisfaction? Is working with your hands more honorable? Read I Thessalonians 4:11-12. We are commanded, “*to work with your hands.*” Different cultures will answer these questions differently. In some of the former Soviet Block nations, only physical work was considered an honest living. Buying low and selling high (merchandising) was not an honorable way to make a living. Even in the United States, trading shares of stock was a dishonorable profession until after the great depression and the creation of the SEC.⁷ Does it make a difference to God if we work with our hands or with our minds?

Transformed Lives, Our Spiritual Product

Consider for a moment the spiritual product we produce, transformed lives. In accounting every product has material, labor and overhead. The word of God that became flesh can be thought of as the direct material and the work of the Holy Spirit can be thought of as direct labor. *Read John 6:35-45.* As we are taught by God, He draws us to him in the conversion process. What is our role in the conversion process? Are we also direct labor or are we indirect labor and part of overhead? Are Christian colleges and church buildings overhead? I would suggest that we are indirect labor. We are overhead in the process of transforming lives. Evangelism is not salesmanship. Conversion is not our closing the sale. We carry the message and we deliver the message but it is God working within each heart that brings about change.

The goal of Management Accounting – Wealth Creation Through Production

The problem with successful operations is that they can separate us from God? The temptation is that we think our success is by our own power and intellect. *Read Deuteronomy 8:17-20.* “*For it is He who gives you the ability to produce wealth.*” This problem was of great concern to God as He blessed the Israelites. Do we live by our own strength and trust in our bank accountants or do we trust in God. It was in this context that accounting was considered an evil activity. In II Samuel 24, King David decided to count the fighting men. God considers this a great trespass because it did not reflect complete trust and dependence on God.

Is Manufacturing a Godly Activity?

Are we created by a builder to be builders? *Read Genesis 1:31.* God is the ultimate builder, “*God saw all that he had made, and it was good.*” We were created in His image, so we are also created to be builders. From children to adults we love to construct, weave together or assemble. For some, it is as simple as gardening or baking food products. For others, it is the entrepreneurial activity of building a business or physical construction in the trades. Whatever the medium we love to build.

The Use of Standards

Managerial accounting uses non-financial standards to measure performance. These standards are often the subject of debate between management and employees or their union. So it is in the spiritual realm, standards are hotly debated. By what standard are we judged by God? *Read Matthew 5:21-22.* Jesus outlines perfection in the Sermon on the Mount, Matthew 5, 6 & 7. The timing and meaning of baptism for example, is one of

⁷ Easy but Sleazy, by Bridget O’Brian, Wall Street Journal, Tuesday, May 28, 1996.

the most debated standards. Many say baptism is required for salvation while others say that it is only grace that saves and nothing that we do saves us. (Acts 2:38-41 v. Galatians 3:1-9) What source do you use to determine your godly standards?

Activity Based Costing

The accounting method that assigns cost to a specific activity is called Activity Based Costing or ABC. The activities are grouped into cost pools and each cost pool has a cost driver. Total overhead for the product is determined by the use of each cost pool. The goal of ABC is to eliminate non-value added activities. The spiritual life contains many activities that contribute towards spiritual growth and many that are not value added; which reduce our spirituality. Like the accounting technique of ABC, we must continually evaluate our activities and determine their cost. *Read Matthew 16:24-28. "What good will it be for a man if he gains the whole world, yet forfeits his soul?"* We can be consumed with good activities that help others at the sacrifice of our own time with God. The wise person will see in life the value-added activities and the non-value added activities.

Questionable Products

Can a Christian be a tobacco farmer? Can a faithful Christian produce wine? The answer is yes, because the Lord Jesus Christ Himself created wine. *Read John 2:1-11.* The gospel is compared to new wine and Paul encouraged Timothy to use a little wine for his stomach's sake. But drunkenness is a sin and the number of lives that have been ruined by excessive consumption is horrific. A word out of use in our modern society is temperance. It means showing moderation or self-restraint. With alcoholic beverages, you either like the feeling (the buzz) or you do not. If you like the feeling of losing control, then drinking is a problem for you. Production of questionable products falls under the admonition of the Apostle Paul in Corinthians 10:23 –24. *"Everything is permissible – not everything is constructive..."*

Process Costing or Job Order Costing or Both?

Does God use a Job Order Costing System or a Process Costing System? If sin has a spiritual cost per person, God uses a Job Order System. *Read Mark 2:8-12.* We are each accountable for our own sins. What about the sins of a nation? Does God accumulate the sins of a nation and then hold all of the citizens accountable as in process costing. Do you worry about and pray for forgiveness of the sins of your nation?