

## INDICE

<b>Preface</b>	XV
<b>Part 1 the accounting cycle</b>	
<b>1 Accounting, the language of business</b>	2
<b>What is accounting?</b> The purpose and nature and accounting information, creating accounting information. Communicating accounting information, who uses accounting report? Accounting information is user-oriented. The distinction between accounting and bookkeeping. The work of accountants. Public accounting. Case in point. Private accounting. Governmental accounting. Development of accounting standards, the fast. Profitability and solvency: key financial objectives. Accounting as the basis for business decisions. Internal control	3
<b>Financial statements: the starting point in the study of accounting</b> The balance sheet. The concept of the business entity. Assets. Liabilities. Owner's equity. The accounting equation, effects of business transactions upon the balance sheet. Effect of business transactions un the accounting equation	14
<b>For of business organization?</b> Single proprietorships. Partnerships. Corporations. Balance sheets for the threes types of organizations	25
<b>Use of financial statements by outsiders</b> Bankers and other creditors. Owners. Others inrested in financial information	27
<b>End-of-chapter review</b> Summary of chapter learning objectives. Key terms introduced or emphasized in chapter 1. Demonstration problem for your review. Solution ton demonstration problem.	29
<b>Assignment material</b> Review question. Exercises. Problems. Business decision cases	31
<b>2 Recording changes in financial position</b>	
The role of accounting records	42
<b>The ledger</b> The use of ledger accounts. Debit and credit entries, recording transactions in ledger accounts, illustration. Running balance form of ledger account. The normal balance of an account. Sequence and numbering of ledger accounts	43
<b>The journal</b> Why use a journal? The general journal, illustration of entries. Posting. Ledger accounts after posting	52
<b>The trial balance</b> Use and limitations of the trial balance. Locating errors, dollars signs	58
<b>The accounting cycle, an introduction</b> Manual and computer-based systems, a comparison	61
<b>End-of-chapter review</b> Summary of chapter learning objectives. Key terms introduced or emphasized in chapter 2. Demonstration problem for your review. Solution ton demonstration problem.	63
<b>Assignment material</b>	69

Review question. Exercises. Problems. Business decision cases	
<b>3 Measuring business income</b> Net income. Case in point. Revenue. Expenses. Withdrawals by the owner. Debit and credit rules for revenue and expense. Ledger accounts for revenue and expenses. Recording revenue and expense transactions, an illustration. The ledger. Sequence of accounts in the ledger. The trial balance.	83
<b>Adjusting entry for depreciation expense</b> The adjusted trial balance	98
<b>Financial statements</b> The income statements. The balance sheet. Net income, a change in owners equity	100
<b>Closing the accounts</b> Closing entries for revenue accounts. Closing entries for expense accounts. Closing the income summary accounts. Closing the owners drawing account. Summary of the closing process. After-closing trail balance. Sequence of procedures in the accounting cycle. Accounting procedures in a computer-based system. Accrual basis of accounting versus cash basis of accounting	103
<b>End-of-chapter review</b> Summary of chapter learning objectives. Key terms introduced or emphasized in chapter 3. Demonstration problem for your review. Solution ton demonstration problem.	111
<b>Assignment material</b> Review question. Exercises. Problems. Business decision cases	115
<b>4 Completion of the accounting cycle</b> Accounting periods and financial statements. Transactions affecting more than one accounting period	132
<b>Adjusting entries, a closer look</b> Types of adjusting entries. Characteristics of adjusting entries. Apportioning recorded costs. Apportioning unearned revenue. Case in point. Recording unrecorded expenses. Recording unrecorded revenue. Adjusting entries and the accrual basis of accounting	133
<b>The work sheet</b> Preparing the work sheet. Uses for the work sheet. The accounting cycle. Preparing monthly financial statements without closing the accounts. Reversing entries	143
<b>End-of-chapter review</b> Summary of chapter learning objectives. Key terms introduced or emphasized in chapter 4. Demonstration problem for your review. Solution ton demonstration problem.	160
<b>Assignment material</b> Review question. Exercises. Problems. Business decision cases	164
<b>Part 2</b> <b>Merchandising concerns, internal control, and accounting systems</b>	184
<b>5 Merchandizing transaction and internal control</b> <b>Merchandizing companies</b> Revenue from sales. Sales returns and allowances. Credit terms. Sales discounts. Cost of goods sold. The perpetual inventory system. The period inventory system. Beginning inventory and ending inventory. Cost	185

of merchandise purchased for sale. The transportation in-account. F.O.B. shipping point and F.O.B. destination. Inventory theft and other losses. Income statement for a merchandising company. Work sheet for a merchandising business. Financial statements. Closing entries. Sales taxes. Classifieds financial, statements. The purpose of balance sheet classification. Classification and format of income statements	
<b>The system of internal control</b> The meaning of internal control	206
<b>Guidelines to achieving strong internal control</b> Organization plan to establish responsibility for every function. Control of transactions subdivision of duties strengthens internal control. Specific methods of achieving internal control. Limitations and cost of internal control	207
<b>Internal control over the purchase and sale of merchandise</b> Business documents and procedures. Purchase orders. Voices debit and credit memoranda (debits memos, credit memos). Recording purchase invoices at net price.	211
<b>End-of-chapter review</b> Summary of chapter learning objectives. Key terms introduced or emphasized in chapter 5 Demonstration problem for your review. Solution ton demonstration problem.	216
<b>Assignment material</b> Review question. Exercises. Problems. Business decision cases	220
<b>6 Accounting system, manual and computers-based</b> Straining the accounting process	236
<b>Manual accounting systems</b> Special journal. Sales journal. Controlling accounts and subsidiary ledgers. Purchases journal. Cash receipts journal. Cash payments journal. The general journal. Showing the source of posting in ledger accounts. Subsidiary ledger accounts. Ledger accounts. Reconciling subsidiary ledgers and controlling accounts. Variations in special journals. Direct posting from invoices. Unit record for each transaction	237
<b>Computer-based accounting systems</b> Advantages of computer-based systems. Case in point. Internal control and the computer. Organizational controls. Case in pint. Security controls. Case in point. Input controls. Program controls. Accounting applications of the computer	258
<b>End-of-chapter review</b> Summary of chapter learning objectives. Key terms introduced or emphasized in chapter 6.	263
<b>Assignment material</b> Review question. Exercises. Problems. Business decision cases	264
<b>Part 3 accounting for assets</b> <b>7 The control of cash transactions</b> Reporting cash in the balance sheet. Management responsibilities relating to cash. Basic requirements for internal control over cash. Cash receipts. Case in point. Cash disbarments. Case in point	284
<b>Bank checking accounts</b> Opening and bank account. Making deposits. Writing checks earnings interest on checking accounts. The bank statement. Reconciling the	291

bank account. Specific steps in preparing bank reconciliation. Treatment of old outstanding checks. Petty cash. The voucher system. The voucher registers. The check registers. Electronic funds transfer system (EFTS)	
<b>End-of-chapter review</b> Summary of chapter learning objectives. Key terms introduced or emphasized in chapter 7. Demonstration problem for your review. Solution ton demonstration problem.	307
<b>Assignment material</b> Review question. Exercises. Problems. Business decision cases	311
<b>8 Receivables</b> <b>Accounts receivable</b> The credit department. Uncollectible accounts. Reflecting uncollectible accounts in the financial statements. The allowance for doubtful accounts. Estimating uncollectible accounts. Two methods of estimating uncollectible accounts. Writing off an uncollectible account receivable. Recovery of an account receivable previously written off. Direct charge-off method. Credit card sales. Credit balances in accounts receivable. Analysis of accounts receivable	330
<b>Notes receivable</b> Case in point. Definition of a promissory note. Nature of interest. Accounting for notes receivable. Discounting notes receivable. Notes receivable with interest included in the face amount. Comparison of the forms of notes receivable. The concept of present value. An illustration of notes record at present value. Installment receivables	342
<b>End-of-chapter review</b> Summary of chapter learning objectives. Key terms introduced or emphasized in chapter 8.	
<b>Assignment material</b> Review question. Exercises. Problems. Business decision cases	357
<b>9 Inventories</b> Inventory defined. Periodic inventory system versus perpetual inventory system. Inventory valuation and the measurement of income. Importance of an accurate valuation of inventory. Taking a physical inventory. Pricing the inventory,. Cost basis of inventory valuation. Inventory valuation methods. Consistency in the valuation of inventory. The environment of inflation. Inventory profit. Disclosing the effects of inflation the lower-of-cost or-market rule (LCM). Estimating ending inventory and cost of goods sold. Gross profit method. The inventory system. Internal control and perpetual inventory systems. Case in point. Perpetual inventory records	370
<b>End-of-chapter review</b> Summary of chapter learning objectives. Key terms introduced or emphasized in chapter 9. Demonstration problem for your review. Solution ton demonstration problem.	395
<b>Assignment material</b> Review question. Exercises. Problems. Business decision cases	398
<b>10 Plant and equipment, depreciation, and intangible assets</b>	410
<b>Plant and equipment</b> Plant and equipment a stream of services. Major categories of Plant and equipment determining the cost of Plant and equipment. Capital	411

expenditures and revenue expenditures. Case in point	
<b>Depreciation</b> Allocating the cost of Plant and equipment over the years of use. Depreciation not a process of valuation. Accumulated depreciation does not consist of cash. Causes of depreciation. Methods of computing depreciation. Revision of depreciation rates. Depreciation and income taxes. Inflation and depreciation. Historical cost versus replacement cost. Disclosure of replacement cost.	415
<b>Disposal of plant and equipment</b> Gains and losses on disposal of Plant and equipment. Gains and losses for income tax purposes. Trading in used assets on new	423
<b>Natural resources</b> Accounting for natural resources	426
<b>Intangible assets</b> Characteristics. Operating expenses versus intangible assets. Amortization. Goodwill. Patents. Trademarks and trade names. Franchise. Copyrights. Other intangibles and deferred charges. Research and development (R&D) costs	428
<b>End-of-chapter review</b> Summary of chapter learning objectives. Key terms introduced or emphasized in chapter 10. Demonstration problem for your review. Solution ton demonstration problem.	433
<b>Assignment material</b> Review question. Exercises. Problems. Business decision cases	437
<b>Part 4 current liabilities, partnerships, and accounting principles</b> <b>11 Current liabilities and payroll accounting</b> The nature of liabilities. Timely recognition of liabilities. Case in point. Current liabilities. Accounts payable	448
<b>Notes payables</b> Notes payables issued to banks. Notes payable with interest charges included in the face amount comparison of the two forms of notes payable	452
<b>Payroll accounting</b> Internal control over payrolls. Case in point. Deductions from earning of employees. Social security taxes (FICA). Case in point. Federal income taxes. Other deductions from employees' earnings. Employers' responsibility for account withheld. Payroll records and procedures. Payroll taxes on the employer. Distinction between employees and independent contractors.	455
<b>End-of-chapter review</b> Summary of chapter learning objectives. Key terms introduced or emphasized in chapter 11. Demonstration problem for your review. Solution ton demonstration problem.	464
<b>Assignment material</b> Review question. Exercises. Problems. Business decision cases	465
<b>12 Partnerships</b> Significant of partnerships. Case in point. Advantages and disadvantages a partnership. Limited partnerships. The partnership contract. Partnership accounting. Case in point. Opening the accounts of an anew partnerships. Additional investments. Drawing accounts loans	

from partners. Closing the accounts of a partnership a year-end. Partnerships profits and income taxes. The nature of partnership profits. Divining partnership net income among the partners. Admission of a new partner. Withdrawal of a partner. Death of a partner. Liquidation of a partnership.	476
<b>End-of-chapter review</b> Summary of chapter learning objectives. Key terms introduced or emphasized in chapter 12.	496
<b>Assignment material</b> Review question. Exercises. Problems. Business decision cases	497
<b>13 Accounting principles and concepts, effects of inflation</b> Need for recognized accounting standards. General accepted accounting principles (GAAP). The conceptual framework project. Authoritative support for accounting principles. The accounting entity concept. The going-concern assumption. The time period principle. The monetary principle. The objective principle. Asset valuation, the cost principle. Measuring revenue, the realization principle. Measuring expenses, the matching principle. The consistency principle. The disclosure principle. Materiality. Conservatism as a guide in resolving uncertainties. CPAS opinion on published financial statements	510
<b>End-of-chapter review</b> Summary of chapter learning objectives. Key terms introduced or emphasized in chapter 13.	532
<b>Assignment material</b> Review question. Exercises. Problems. Business decision cases	534
<b>Part 5 corporations</b> <b>14 Corporations, organizations and stockholders equity</b> What is a corporation? Advantages of the corporate form of organization. Disadvantages of the corporate form organization. Income taxes in corporate financial statements. Formation of a corporation. Stockholders equity. Cash dividends. What is capital stock? Authorization and insurance of capital stock. Par value. No par stock. Preferred stock and common stock. Characteristics of preferred stock. Case in point. Market price of preferred stock. Case in point. The underwriting of stock issues. Market price of common stock. Stock issued for assets other than cash. Subscriptions to capital stock. Donated capital. Stockholders records in corporation. Book value per share of common stock. Balance sheet for a corporation illustrated	548
<b>End-of-chapter review</b> Summary of chapter learning objectives. Key terms introduced or emphasized in chapter 14.	570
<b>Assignment material</b> Review question. Exercises. Problems. Business decision cases	573
<b>15 Corporation, operation, earnings per share, and dividends</b> Public misconceptions of the rate of corporate earnings. Developing predictive information. Discontinued operations. Extraordinary items. Earnings per share (EPS). Presentation of earnings per share in the income statement. Primary and fully diluted earnings per share. Cash dividends. Dividends dates. Liquidating dividends. Stock dividends. Stock splits. Retained earnings. Prior period adjustment to the retained	584

earnings. Treasury stock. Recording purchases of treasury stock. Reissuance of treasury stock. Restriction of retained earnings when treasury stock is acquired. Illustration of stockholders equity section	
<b>End-of-chapter review</b> Summary of chapter learning objectives. Key terms introduced or emphasized in chapter 15. Demonstration problem for your review. Solution ton demonstration problem.	605
<b>Assignment material</b> Review question. Exercises. Problems. Business decision cases	610
<b>16 Bonds payable, leases, and other liabilities</b>	622
<b>Bonds payable</b> What is a bonds issue? Tax advantage of bond financing. Accounting entries for a bond issue. Case in point. The concept of present value. The present value concept and bond prices. Case in pint. Bonds sold at a discount. Amortization of bond discount. Bonds sold at a premium. Year-end adjustment for bonds interest expense. Straight-line amortization, a theoretical shortcoming. Effective interest method of amortization. Retirement of bonds payable. Bond sinking fund. Conversion of bonds payable into common stock	623
<b>Leases</b> Operating leases. Capital leases	640
<b>Other liabilities</b> Mortgage notes payable. Pension plans. Loss contingencies. Case in pint	642
<b>End-of-chapter review</b> Summary of chapter learning objectives. Key terms introduced or emphasized in chapter 16.	645
<b>Assignment material</b> Review question. Exercises. Problems. Business decision cases	647
<b>Appendix an applications of present value</b> The concept of present value. Preset value tables. Selecting and appropriate discount rate. Discounting annual cash flows. Discount periods of less than one year. Accounting applications of the present value. problems	655
<b>17 Investment in corporate securities</b> Securities exchanges	664
<b>Investments in marketable securities</b> Marketable securities as current. Accounting for investment in marketable securities gains and losses from sale in investments in securities. Balance sheet valuation of marketable securities. Lower of cost or market (LCM). Presentation of marketable securities in financial statements	665
<b>Investment for purposes of influence or control</b> The equity method. Parent and subsidiary companies. Growth through the acquisition of subsidiaries. Case in pint. Financial statements for a consolidated economic entity	672
<b>Consolidated financial statements, concepts and mechanics</b> Methods of consolidation. Consolidation at the date of acquisition of subsidiary's stock at a price above value. Less than 100 % owner wisp in subsidiary. Consolidated income statement. Unconsolidated	676

subsidiaries. Accounting for investment in corporate securities, a summary	
<b>End-of-chapter review</b> Summary of chapter learning objectives. Key terms introduced or emphasized in chapter 17.	684
<b>Assignment material</b> Review question. Exercises. Problems. Business decision cases	686
Appendix B international accounting and foreign currency translation What is international accounting? Foreign currencies and exchange rates. Accounting for transactions with foreign companies. Currency fluctuations who wins and who loses? Consolidation for foreign subsidiaries. Translating financial statement amounts. Accounting principles, the quest for uniformity, review questions. Problem	698
<b>Part 6 Special report and analysis of financial statements</b> <b>18 income taxes and business decisions</b> Tax report act of 1986. Tax planning versus tax evasion. The critical importance of income taxes. The federal income tax, history and objectives, classes of taxpayers	716
<b>Income taxes, individuals</b> Cash basis of accounting for income tax returns. Tax rates. Tax brackets. The year of transition 1987. Income tax formula for individuals. Total income and gross income. Deductions to arrive at adjusted gross income. Deductions from adjusted gross income. Personal exemptions. Taxable income, individuals. Capital gains and losses. The tax liability. Quarterly payment of estimated tax. Tax returns. Tax refunds, and payment of the tax. Computation of individual income tax illustrated. Alternative minimum tax. partnership	720
<b>Income taxes, corporations</b> Taxations of corporations. Corporation tax rates. Taxable income of corporations. Illustrative tax computation for corporation. Accounting income versus taxable income. Alternative accounting methods offering possible tax advantages. Interperiod income tax allocation	733
<b>Tax planning</b> Form of business organization,. Tax planning in the choice of financial structure. Case in point, tax shelter	739
<b>End-of-chapter review</b> Summary of chapter learning objectives. Key terms introduced or emphasized in chapter 18	743
<b>Assignment material</b> Review question. Exercises. Problems. Business decision cases	745
<b>Measuring cash flows</b> <b>Statements of cash flows</b> Purpose of the statement. Example of statements of cash flows. Classification of cash flows. Critical importance of cash flow from operations. Approaches to preparing a statements of cash flows	756
<b>End-of-chapter review</b> Summary of chapter learning objectives. Key terms introduced or emphasized in chapter 19	772
<b>Assignment material</b> Review question. Exercises. Problems. Business decision cases	773



<p><b>20 Analysis and interpretation of financial statements</b></p> <p>What is your opinion of the level of corporate profits? Case in point. Some specific examples of corporate earnings... and losses. Sources of financial information. Comparative financial statements. Tools of analysis. Dollar and percentage changes. Case in point. Trend percentages. Component percentages. Ratios comparative data annual reports of major corporations. Standards of comparison. Quality of earnings. Quality of assets and the relative amount of debt. Case in point. Impact of inflation. Illustrative analysis for seacliff company. Analysis by common stockholders. Return on investment (ROI). Leverage. Analysis by long-term creditors. Analysis by preferred stockholders. Analysis by short-term creditors. Summary analytical measurements</p>	786
<p><b>End-of-chapter review</b></p> <p>Summary of chapter learning objectives. Key terms introduced or emphasized in chapter 20</p>	811
<p><b>Assignment material</b></p> <p>Review question. Exercises. Problems. Business decision cases</p>	815
<p><b>Appendix C financial statements of a public owned company, a case study</b></p>	830
<p><b>Part 7 managerial accounting, cost accounting systems</b></p> <p><b>21 Responsibility accounting, departments and branches</b></p>	844
<p><b>Introduction to managerial accounting</b></p> <p>Overlap of managerial of financial accounting. Departments, center of managerial responsibility. Uses of departmental information</p>	845
<p><b>Responsibility accounting system</b></p> <p>Responsibility accounting, an illustration. Case in pint. Nonfinancial objectives and information. Case in point. Collecting information on departmental revenue and expenses. Computer-based systems. Manual systems. Income statements showing departmental gross profit. Allocation operating expenses to departments. Departmental operating income departmental contribution to indirect expenses. When is a department unprofitable?</p>	848
<p><b>Accounting systems for branch operations</b></p> <p>Centralized accounting systems. Decentralized accounting systems. Interdepartmental and interbranch pricing policies</p>	860
<p><b>End-of-chapter review</b></p> <p>Summary of chapter learning objectives. Key terms introduced or emphasized in chapter 21</p>	865
<p><b>Assignment material</b></p> <p>Review question. Exercises. Problems. Business decision cases</p>	867
<p><b>22 Accounting for manufacturing operations</b></p> <p>Comparison of merchandising and manufacturing concerns. Manufacturing costs. Product cost contrasted with period costs. Product cost and the matching concept, and illustration inventories for a manufacturing business. Computing the cost of finished goods manufactured. Schedule of cost of finished goods manufactured. Valuation of inventories in a manufacturing business. Additional ledger accounts needed by a manufacturing business. Work sheet for a manufacturing business. Closing the accounts at the end of the period.</p>	880

Cost accounting and perpetual inventory.	
<b>End-of-chapter review</b> Summary of chapter learning objectives. Key terms introduced or emphasized in chapter 22	896
<b>Assignment material</b> Review question. Exercises. Problems. Business decision cases	898
<b>23 Cost accounting systems</b> What is a cost accounting system? Case in point. Cost accounting systems, cost flow through perpetual inventory records. Flow of costs in a job cost system. Raw materials two basic types of cost accounting systems	912
<b>Job order cost system</b> Direct labor. Factory overhead	915
<b>Process cost system</b> Characteristics of a process cost system. Flow of costs in a process cost system. Equivalent full units, the key to determining unit cost. Determination of unit costs and valuation of inventories, an example, summary of job order and process cost systems	923
<b>End-of-chapter review</b> Summary of chapter learning objectives. Key terms introduced or emphasized in chapter 23. Demonstration problem for your review. Solution ton demonstration problem.	933
<b>Assignment material</b> Review question. Exercises. Problems. Business decision cases	937
<b>Part 8 managerial accounting, planning and control</b> <b>24 Cost-volume-profit analysis</b> Cost-volume relationships. Cost behavior in business. Profit-volume relationship. Cost volume-profit analysis, an illustration. Case in point. Using cost- volume-profit relationships. Importance of sales mix in cost-volume-profit analysis. Contribution margin per unit of scarce resource. Assumptions underlying cost- volume- analysis. Summary of basic cost-volume- profit relationships	950
<b>End-of-chapter review</b> Summary of chapter learning objectives. Key terms introduced or emphasized in chapter 24. Demonstration problem for your review. Solution ton demonstration problem.	966
<b>Assignment material</b> Review question. Exercises. Problems. Business decision cases	969
<b>25 Budgeting and standards costs</b> Budgeting, the basic for planning and control Benefits derived from budgeting. Establishing budgeted amounts. The budget period. Preparing a master	979
<b>Standard costs for product costing and control</b> Establishing and revising standards. Cost variances. Illustration of the use of standard costs	993
<b>End-of-chapter review</b> Summary of chapter learning objectives. Key terms introduced or emphasized in chapter 25	999
<b>Assignment material</b> Review question. Exercises. Problems. Business decision cases	1001

<b>26 Relevant information, incremental analysis, and capital budgeting</b>	
The concept of relevant information. Accepting special orders. Make or buy decisions. Opportunity costs. Sunk costs versus out-of-pocket costs. Scrap or rebuild defective units. Whether to discontinue and unprofitable product line. Variable costing. Illustration of variable costing	1014
<b>Capital budgeting</b>	
Payback period. Return on average investment. Discounting future cash flows. Replacement of old equipment. Concluding comments	1024
<b>End-of-chapter review</b>	
Summary of chapter learning objectives. Key terms introduced or emphasized in chapter 26	1031
<b>Assignment material</b>	
Review question. Exercises. Problems. Business decision cases	1034
Index	1043