

Known for its balanced coverage of both concepts and procedures, *Intermediate Accounting* gives students an unparalleled look at financial accounting information and its increasingly varied uses in the world today. In addition to the thorough coverage of GAAP expected of a book of its caliber, the timely tenth edition illustrates the practices professional accountants execute daily, as well as the concepts behind those practices. Through this approach, this textbook equips students with the tools needed to critically assess evolving, accounting practices needed to meet the demands of a dynamic, professional world.

With three decades of experience, we continue to connect with the contemporary student with improved readability, while introducing them to the language of the profession. As before, compelling real world financial statements and research cases help students see the implication of the material at hand and learn to apply it in a real business context. Notably, Appendix A contains 2004 financial statements and supplemental data of The Coca-Cola Company for use throughout the book, but the tenth edition brings even more to the table.

With the new perspective brought by co-author Jeff Jones and the move to a lively, four-color design, *Intermediate Accounting* effectively imparts essential knowledge and skills through a student-friendly, easy to reference, and pedagogically sound presentation. Coupling that with the comprehensive coverage, professional language, and real world applications that have been the hallmarks of the text for many years, the tenth edition provides the perfect link between the academic and professional world. We believe this book simultaneously provides students with the vibrant pedagogy they need to understand the material and the technical complexity they need to succeed as professionals.

Intermediate Accounting, Tenth Edition consists of five parts containing 23 chapters, as follows:

- Part 1 Financial Reporting: Concepts, Financial Statements, and Related Disclosures
(Chapters 1–6, and the Time Value of Money Module)
- Part 2 Financial Reporting: Asset Measurement and Income Determination
(Chapters 7–12)
- Part 3 Financial Reporting: Valuation of Liabilities and Investments
(Chapters 13–15)
- Part 4 Financial Reporting: Stockholders' Equity
(Chapters 16–17)
- Part 5 Financial Reporting: Special Topics
(Chapters 18–23)

TEACH THE LOGIC AND THE PRACTICE

CLEAR OBJECTIVES

Objectives at the beginning of each chapter prepare students for what they will be studying. We list each objective in the margin beside the topical coverage to reinforce students' learning.

CONCEPTUAL-ANALYTICAL-REAL REPORT FRAMEWORK (C-A-R)

Over the years, a major strength of *Intermediate Accounting* has been its comprehensive coverage of GAAP, but its unique hallmark is the authors' conceptual and analytical discussions related to those procedures. Through the C-A-R framework, the textbook draws out these important explanations and presents the underlying thought processes of financial analysis. Coupled with the interactive new and improved Real Reports, the C-A-R

4 Define the elements of a balance sheet.

"This should help students to differentiate conceptual-analytical-applied topics while still showing how they are integrated. [. . .]

Ideally, text, classroom, and tests will all encourage and facilitate integration, and by extension, critical thinking."

Mark Comstock-
Missouri Southern
State University

"Yes, I think that this a very effective way to bring out this important information. Students often get confused between conceptual alternatives, alternative computational techniques and what is actually done in the corporate world. This is the first time I have seen a serious attempt to distinguish among these areas in a meaningful way for the students."

Herbert Hunt-
CSU Long Beach

"I think this is an excellent idea. I am positive it will achieve what you want – a tie between GAAP and practice. The information is explained very clearly and the classification of conceptual, analytical, and real world will be very helpful to the students."

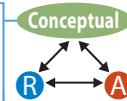
Mary Loyland-
University of
North Dakota

progression bolsters students' accounting savvy as they come to understand the logic and the practice of accounting.

Conceptual

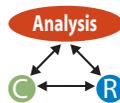
Supported by the FASB conceptual framework introduced in Chapter 2, we relate the discussion of specific topics to the objectives of financial reporting, qualitative characteristics of accounting information, conceptual reporting guidelines, and to the concepts of liquidity, financial flexibility, risk, operating capability, and return on investment. With the conceptual discussions, students begin to understand the environment that gave rise to a specific procedure. Once that logic is in place, they can begin the practice of accounting with a firm understanding of the environment in which they operate.

statements. Recall from Chapter 2 that **recognition is the process of formally recording and reporting an element in the financial statements**. It includes depiction of an element in both words and numbers, with the amount included in the totals. Generally, the most useful (i.e., the best combination of relevance and reliability) information about assets, liabilities, and equity should be recognized and reported in the main body of the balance sheet. There are four basic recognition criteria. To be recognized, an item (and information about it) must meet the definition of an element, and be measurable, relevant, and reliable.⁵ Thus, to meet the objectives of a company's balance sheet—to provide



Analysis

To help bridge the gap between the conceptual and procedural, we indicate essential analytical coverage that illustrates the significance and application of certain key company characteristics and related ratio calculations to financial analysis. This material illuminates the critical thinking process, so that students can further understand how the logic of the conceptual framework translates to everyday accounting procedure and business practice. By effectively grounding this translation in specific business activities, this coverage further prepares students to intelligently apply this material on their own.



Offsetting Allowance for Doubtful Accounts against Accounts Receivable informs financial statement users of the net realizable value (the amount of cash expected to be collected) of the company's receivables.¹²

It is possible to base the estimate of bad debt expense on historical relationships

Reporting

In addition to a thorough understanding of business transactions and the environment of financial analysis, students need to be aware of issues that arise during financial reporting. Using concrete examples, we describe how items are reported in financial statements, which instills students with the knowledge and understanding they need to efficiently and effectively report their findings according to GAAP. A key aspect of the report coverage are the Real Reports. The unique Real Report feature gives students the opportunity to test their reporting mettle with real company data.



An audit report is *not* part of the financial statements because it is a report by the independent auditor. Nonetheless, it is considered an important item of information because external users place reliance on the report as to the fairness of the financial statements. The "standard" form of an auditor's report on *comparative* financial statements (often referred to as an *unqualified* report) is shown in Exhibit 6-1.³ (The audit report of

Real Reports

When it's time to put it all together, this feature encourages students to test their understanding by providing excerpts from real company reports and challenging students to answer several questions about the information they see. As part of the Reporting material, students learn by doing, and stretch their understanding of each topic to its limit.

With the answers provided in the end of the chapter material, these self-contained features provide students a chance to test themselves as they read.

Real Report 7-1 Cash and Cash Equivalents

EASTMAN KODAK COMPANY AND SUBSIDIARY COMPANIES
 CONSOLIDATED STATEMENT OF FINANCIAL POSITION (in part)

(in millions, except share and per share data)	At December 31	
	2004	2003
ASSETS		
Current Assets		
Cash and cash equivalents	\$1,255	\$1,250

NOTES TO FINANCIAL STATEMENTS
NOTE 1: Significant Accounting Policies (in part)
Cash Equivalents All highly liquid investments with a remaining maturity of three months or less at date of purchase are considered to be cash equivalents.



Questions:

1. Why does Eastman Kodak combine cash and cash equivalents into one amount on the balance sheet?

Clarifying Computational Steps

Because complex computations can be hard for students to master, we reduce many computational procedures to a series of steps outlined in list format. For instance, Example 9-13 includes a series of steps for dollar-value LIFO calculations. Similar lists of steps for the gross profit inventory method, retail inventory method, and dollar-value LIFO retail method appear in Chapter 9. We include other computational steps where appropriate throughout the rest of the book.

Straightforward Design Distinguishes Important Material

- Key terms, definitions, and official statements are in boldface.
- Particularly important information is in italics.
- All real companies are in boldface.
- Exhibits of illustrations of journal entries, supporting schedules, and financial statements clarify concepts or procedures.
- All journal entries are now in blue.

Interest Expense	200	
Discount on Notes Payable		200
Notes Payable	10,000	
Cash		10,000

- Excerpts from real financial statements have a special background:

ConAgra Foods
NOTE 1: Summary of Significant Accounting Policies (in part):
Inventories Grain, flour, and major feed ingredient inventories are hedged to the extent practicable and are principally stated at market, including adjustment to market of open contracts for purchases and sales.

NOTE 9: Senior Long-Term Debt, Subordinated Debt and Loan Agreements
 Interest expense incurred to finance hedged inventories has been charged to cost of goods sold.

"I really like the design of these and do think they provide a valuable piece of the chapter coverage. Like I mentioned earlier, a move from the technical to the practical is very welcome and needed in the intermediate sequence."
 Alee Phillips-
 University of Kansas

"Yes, I do like these examples and questions and particularly that the answers are in the end-of-chapter materials. This is a feature I would definitely like."
 Vern Richardson-
 University of Arkansas

"I like these kind of problems because they use real-world companies and I strongly believe students pay more attention to examples dealing with the IBMs of the world versus the hypothetical ACMEs. Also, these kind of problems make the students critically think through the accounting and reporting issue as well as an application of the issue. They'll like the design of these kind of problems, and I think they are extremely valuable."
 Rick Turpin-University of Tennessee-
 Chattanooga

"I really do think that these will be extremely helpful. The torn edge style of the box gives a real world feel to the information. I do like the examples that are used, the text is fine."
 Rizvana Zameeruddin-
 University of Wisconsin-Parkside

Enhanced Design for Examples

In *Intermediate Accounting*, examples are clearly identified for easy reference. For in-text examples, the example text heading will be in red, and when the example ends, there will be a red bullet. Major, numbered examples, will also be in red, but will be in a box. This useful design ensures that students will know where they are in the material at all times.

EXAMPLE 7-3 Accounting for Short-Term Notes Receivable						
	Interest-Bearing			Non-interest-Bearing		
To record receipt of note on October 1, 2007	Notes Receivable	5,000		Notes Receivable	5,100	
	Sales		5,000	Interest Revenue		100
				Sales		5,000
To record receipt of maturity value on December 1, 2007	Cash	5,100		Cash	5,100	
	Notes Receivable		5,000	Notes Receivable		5,100
	Interest Revenue*		100			

*\$5,000 × 0.12 × 60/360

UNDERSTAND THE LOGIC AND THE PRACTICE

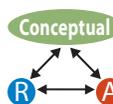
Like no other book on the market, *Intermediate Accounting*, 10e moves beyond teaching just technical skills and makes even the most complex procedures accessible to students through an understanding of the conceptual framework.

Introduction of the FASB Conceptual Framework

Students are introduced to the “conceptual framework” in Chapter 2. This discussion involves an identification and explanation of the objectives of financial reporting (Exhibit 2-3) and the qualitative characteristics of useful accounting information (Exhibit 2-5). The chapter also includes an explanation of the interrelationship between financial reports, types of useful information, and external decision making (Exhibit 2-4), as well as a framework of financial accounting theory and practice (Exhibit 2-6).

Integrated Conceptual Discussion

Supported by the FASB conceptual framework introduced in Chapter 2, we relate the discussion of specific topics to the objectives of financial reporting, qualitative characteristics of accounting information, and conceptual reporting guidelines, and to the concepts of liquidity, financial flexibility, risk, operating capability, and return on investment. Where there are significant conceptual issues concerning an accounting principle, there is an objective discussion of the alternative views. Note that this coverage is indicated through the design.



Information on cash management is important in financial accounting because one objective of financial reporting is to communicate how well the managers of a company have fulfilled their stewardship responsibility to stockholders for the use of the company assets. In this regard, cash management includes planning and control aspects. **Cash planning** systems

This integrated discussion of accounting theory is not at the expense of sound, procedural pedagogy, and we emphasize a balanced presentation of concepts and practice. For each topic, students will find a clear and concise discussion of the related generally accepted accounting principles. We enhance the discussion with a thorough explanation and illustration of the corresponding practices and procedures.

“This is good, especially now! I spend a lot of time on the conceptual framework. It is impossible to memorize all rules...Students need to understand these three things [Conceptual, Analytical, Real World] are different. Three aspects, perspectives, not hierarchy. This is a plus.”
Jane Bozewicz - Babson University

IASB Conceptual Framework

Because of the continuing globalization of companies, we briefly discuss the International Accounting Standards Board's Framework for the Preparation and Presentation of Financial Statements. This Framework provides the conceptual underpinning for the international accounting standards that we discuss in later chapters.

Conceptual Reference Guide

This guide provides a quick review of the concepts underlying financial accounting and is located inside the front and back covers of the book.

REINFORCE THE LOGIC AND THE PRACTICE

New and improved summary features help students identify key concepts and link them to a more complete understanding of the accounting process.

NEW! Secure Your Knowledge Summary

With all of the material presented to a student in an *Intermediate Accounting* text, these bulleted summaries help students identify key points, which helps them test their knowledge and review for tests.



SECURE YOUR KNOWLEDGE 5-2

- Income from continuing operations is a summary of the revenues, expenses (e.g., cost of goods sold, operating expenses, income tax expense), and other items that are expected to continue into the future.
- Income from continuing operations may be reported in a single-step format that classifies all items into either revenues or expenses, or it may be reported in a more useful multi-step format that contains additional classifications of the income statement elements.
- Discontinued operations (a component of a company's operations that has been, or will be, eliminated from ongoing operations) are reported net-of-tax directly after income from continuing operations.
- Extraordinary items, material gains or losses that are unusual in nature and infrequent in occurrence, are reported net-of-tax below the results of discontinued operations.
- Companies are required to report earnings per share amounts relating to income from continuing operations and net income on their income statements.
- The disclosure of additional information in the footnotes to the financial statements or in supplemental schedules is encouraged to overcome limitations of the income statement and provide external users with information useful for evaluating company performance.

Comprehensive Chapter Summaries

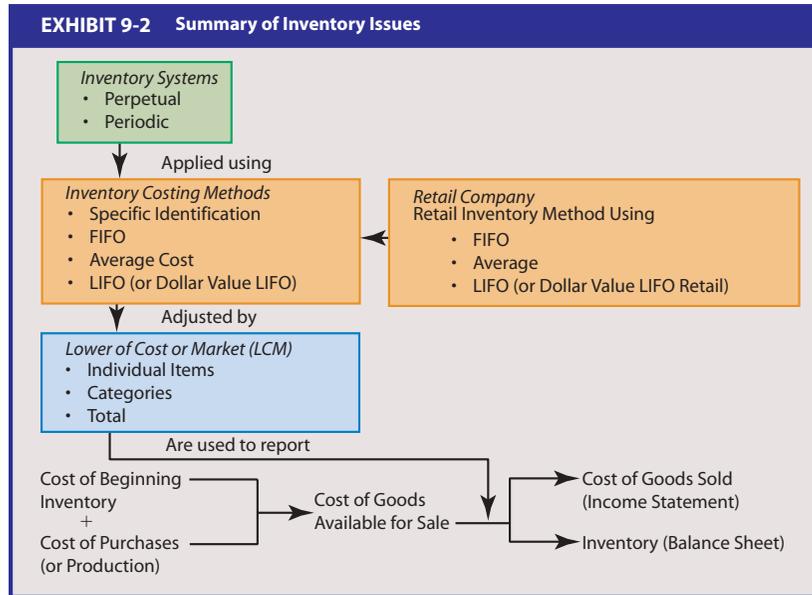
Each chapter ends with a summary of the key points for each major topic. Tied directly to the Objectives from the beginning of the chapter, these summaries provide students with a quick review of the important topical issues.

"I feel that this feature is extremely helpful and that students will use it to their advantage when reading the text the first time and then when reviewing for exams. What's nice about them is they are strategically located so students can test their knowledge before going on to the next topic, thus allowing them to take relatively small "bites" of knowledge as they progress through the chapter."
Herbert Hunt-
CSU Long Beach

"I think that the "Secure Your Knowledge" is excellent. They provide a valuable learning tool and should be used by just about all students."
Mary Loyland-
University of North
Dakota

Helpful Summary Exhibits

Summary exhibits throughout the text help students pull together and understand what they have learned so far. For instance, Exhibit 5-3 summarizes corporate earnings and cash flow topics, Exhibit 21-2 summarizes the criteria and classifications for leases, and Exhibit 23-1 summarizes the impacts on financial statements of the methods used for accounting changes and errors.



APPLY THE LOGIC AND THE PRACTICE

Intermediate Accounting is the meeting point of many aspects of the discipline. Most notably, it is the link between Financial Principles and the professional world, but also, it links out to the other areas of the field such as ethical and global issues.



NEW! Chapter Openers

These entertaining and informative vignettes briefly introduce concepts in the upcoming chapter through real aspects of the professional, accounting world. In addition, these openers include references to industry journals and newspapers for further reading. All of these sources are included in the Business and Company Resource Center (BCRC), which is automatically included with the new text.

"I really like the way questions are embedded in the vignettes. This will help drive the student's discussion."
Abdul Qastin-Lakeland College

FOR FURTHER INVESTIGATION

For a discussion of ARC or Check 21, consult the Business & Company Resource Center (BCRC):

- Tear Out a Check, Then Watch it Vanish. Jeffrey Selingo, *The New York Times*, 0362-4331, October 9, 2003, pG6 col. 04.
- Why Check 21 Could Erase ARC's Gains. Will Wade, *American Banker*, 0002-7561, November 5, 2003, v168, i213, p1.

NEW! Link to Ethical Dilemmas

The ethical link between accounting practices and applications in the business world grows in importance daily. To help students develop their ethical compass, this feature

puts the student in the role of the decision maker faced with an ethical dilemma. In addition, we provide a complete section on this topic in Chapter 1, as well as end-of-chapter cases sprinkled throughout the text.



LINK TO ETHICAL DILEMMA

As the controller for a struggling manufacturing company, you are in the process of closing the books for the year and notice that the company is going to be in technical violation of its debt covenants. Such a violation could result in bankruptcy, which would result in the loss of hundreds of jobs, including your own. You quickly analyze the financial statements and realize that by changing a few estimates involving accounts receivable, warranties, and pensions, the company will be able to avoid a violation of its debt covenants. While you don't believe the revised estimates would best represent the economic reality of your company's financial position, you also don't believe the estimates are unreasonably aggressive. Do you revise the estimates?

"The design is great! It definitely effectively separates the content and importantly draws attention to the issues. My feeling is that this is a good thing to do rather than simply burying the discussion points in the paragraphs with everything else. This is especially important in this course because there is so much material and it's often difficult for the students to think of every angle/ consideration that might be important."
Herbert Hunt-
CSU Long Beach

Improved! Link to International Differences

Though *Intermediate Accounting* tackles the sizable topic of domestic GAAP, this feature enlightens students about the link between the FASB and International Accounting Standards Board (IASB), and encourages them to be mindful of possible global differences.

For the previous edition, we modified the discussion of international accounting standards in many chapters to expand the discussion and bring it up to date, and we continue that project in this edition.



LINK TO INTERNATIONAL DIFFERENCES

International accounting standards allow a company to record some internally generated intangibles as assets. Specifically, the company must classify activities leading to the generation of an intangible asset into a research and a development phase. Research costs are expensed but development costs may be capitalized if the company can demonstrate that the asset will generate probable future economic benefits. Also, the costs of items that are acquired for a particular research project and have no alternative future uses are expensed as the items are used in the project. In contrast, such costs are expensed when incurred under U.S. GAAP. Finally, international accounting standards allow intangibles to be revalued upwards. For example, in the United Kingdom, brand names such as Schweppes are accounted for in this manner.

NEW! Link to Ratio Analysis

After introducing ratios in an appendix to Chapter 6, this feature continues that discussion and introduces students to calculations accountants, investors, and creditors perform to link the numbers to specific types of real world analysis. Considering the usefulness of ratios as a tool for analyzing the health of a business, this feature should prove interesting and useful to students, while honing their critical thinking skills.

"I like the graphics and colors. This will allow instructors and students to identify and emphasize desired elements. It is a good way to include these challenging topics."
Mark Comstock-
Missouri Southern
State University

"Yes, I think that it brings the attention to the reader effectively - I actually like the way it is done as it is placed right into the section where the concept is discussed and where/when the student is ready to consider it."
Vern Richardson-
University of Arkansas

1
3

LINK TO RATIO ANALYSIS

While most U.S. companies use straight-line depreciation, they use varying estimates of service lives and residual values, which makes intercompany comparisons much more difficult. However, the required disclosures can be used by analysts to gain insights into a company's property, plant, and equipment. A useful measure that can be computed is the average age of a company's fixed assets. Consider the following data from **Intel's** 2004 annual report.

(in millions)	2004	2003
Accumulated Depreciation	\$24,065	\$22,031
Depreciation Expense	4,590	4,651
Depreciation Method	Straight-line	

Based on this information, the average age of Intel's property, plant, and equipment can be computed as follows:

$$\text{Average Age}_{2004} = \frac{\text{Accumulated Depreciation}}{\text{Depreciation Expense}} = \frac{\$24,065}{\$4,590} = 5.2 \text{ years}$$

$$\text{Average Age}_{2003} = \frac{\text{Accumulated Depreciation}}{\text{Depreciation Expense}} = \frac{\$22,031}{\$4,651} = 4.7 \text{ years}$$

End of Chapter

Extensive end-of-chapter materials allow students to test their understanding, and apply concepts to a variety of questions and problems.

The material is effective, and the quality and the quantity are good.

Mark Comstock-
Missouri Southern
State University

Questions primarily address key concepts and terms in the chapter. These questions allow students to solidify their understanding of the basics before moving on to specific applications.

Multiple-Choice Items provide students with a variety of brief qualitative and quantitative tests of their knowledge. Starting with Chapter 2, each chapter contains ten multiple-choice activities based on past Uniform CPA Examination questions, providing sound preparation for the professional world.

Exercises reinforce a chapter topic and provide students an opportunity to explore their answers more thoroughly.

Problems consolidate a number of chapter topics or focus on a comprehensive analysis of a single topic. These multi-step items allow students to delve even further into the complex practice of accounting. Each problem is introduced by a subject reference in bold.

Cases focus on the various conceptual and reporting issues within the chapter. In accordance with the Accounting Education Change Commission recommendations about improving certain skills of students, we present cases at the end of each chapter in three sections. Each case is introduced by a subject reference in bold.

Communication cases are designed to help students improve their written communication skills. These cases prepare students for the future, when they will need to explain their findings to managers and other decision makers.

Creative and Critical Thinking cases are designed to help students improve their thinking skills. Due to the increased emphasis on enhancing students' abilities to think creatively and critically in the accounting environment, we include a section on these topics in Chapter 1.

Ethics cases deal with ethical and financial reporting issues in each chapter. Students should develop solutions from financial reporting and ethical perspectives, building on what they've learned through reading the discussion of ethical models in Chapter 1 and the Link to Ethical Dilemmas. Coverage of ethics is always denoted with this icon.



"I really like the way this text was written. Move over Kieso!"
Rizvana
Zameeruddin-
University of
Wisconsin-Parkside

Research Simulations are found in most chapters, and simulate real scenarios in which research would be needed in the professional world. We designed these cases to be used with the *FARS* electronic database, pronouncements on the FASB web site, the FASB Current Text, or the FASB Original Pronouncements, which helps students develop the research skills needed as an accounting professional.

Other Features

Analysis of Coca-Cola's Financial Statements To give students insight into real-world financial reporting, several cases require students to review selected portions of The Coca-Cola Company's annual report (in Appendix A). These cases enhance critical-thinking skills as they require students to answer user-oriented and financial reporting questions related to the chapter topics.

AICPA Adapted In addition to being the only Intermediate Accounting textbook with AICPA adapted, multiple-choice questions, each chapter after Chapter 1 contains a variety of exercises, problems, and cases based on past Uniform CPA Examination questions.

User-Oriented Homework Selected exercises and problems require students to develop answers from a user-oriented perspective. These involve the computation of ratios as well as intracompany and intercompany analysis.

CONTENT CHANGES

We have included detailed coverage of the latest FASB statements as well as many other enhancements to the book's content. As new statements are issued, we will provide timely updates at our web site, <http://nikolai.swlearning.com>. A list of chapter key changes from the ninth to tenth editions follows:

Part 1 Financial Reporting: Concepts, Financial Statements, and Related Disclosures

Chapter 1

- Added FASB Staff Positions to GAAP
- Added discussion of objectives-oriented standard setting
- Added discussion of PCAOB

Chapter 2

- Modified Exhibit "Financial Reporting Environment" to add PCAOB

Chapter 3 (formerly Appendix C)

- Changed the entire example from a periodic to a perpetual inventory system
- Added a diagram to show information flow from source documents through to financial statements
- Added diagrams to show effect of each type of adjusting entry
- Added summary exhibit of adjusting entry framework
- Since switched to basic perpetual example, added a short section on periodic inventory, as well as returns, allowances, and discounts
- Moved worksheet ahead of reversing entries so it is in more proximity to the related financial statements
- Reduced the coverage of special journals to a basic discussion
- Moved cash-basis accounting to a chapter appendix

Chapter 4 (formerly Chapter 3)

- Added discussion of "fair value" based on new *FASB Statement*.

Chapter 5 (formerly Chapter 4)

- Added new section on purposes of the income statement
- Added discussion of FASB project on "financial performance reporting by business enterprises"

They provide many choices with different levels of difficulty. Creative and Critical Thinking Cases provide an opportunity to enhance writing and communication skills. The Research Simulation will enforce the need to use the technology and articulate findings to the stakeholders.
Abdul Qastin-
Lakeland College

- Added discussion of FASB and IASB joint project on revenue recognition
- Added margin notes to income statement to highlight different sections
- Modified discussion to reflect perpetual inventory system for cost of goods sold
- Deleted exhibit dealing with cost of goods sold for manufacturing company
- Modified diagram of income from discontinued operations
- Deleted discussion of reporting “cumulative effects” on income statement
- Added discussion of reporting “change in accounting principle” in retained earnings statement
- Modified diagram of cash flows from operating, investing, and financing activities
- Added margin notes to a statement of cash flows to highlight different sections

Chapter 6 (formerly Chapter 5)

- Added diagram showing how “efficient market” works
- Added discussion of new audit “opinions” required for internal control and replaced old audit opinion with new audit opinions
- Added exhibit to illustrate segment reporting
- Added new brief section on XBRL supplemental information for SEC reporting
- In chapter Appendix, added new diagram for computing days in operating cycle from ratios
- Deleted redundant discussion of Management’s Discussion and Analysis (MD&A) because it is covered in Chapter 4

Time Value of Money Module

- Created from Appendix D: Compound Interest and moved up for convenient, optional coverage

Part 2 Financial Reporting: Asset Measurement and Income Determination

Chapter 7 (formerly Chapter 6)

- Moved sections on Petty Cash and Bank Reconciliation to chapter appendix
- Added diagram showing pledging, assignment, and factoring conditions when financing with accounts receivable
- Clarified discounting notes receivable with recourse and without recourse
- Deleted appendix on four-column bank reconciliation
- Added an explanation of the effects of various accounts receivable and notes receivable transactions on the statement of cash flows

Chapter 8 (formerly Chapter 7)

- Updated for provisions of *FASB Statement No. 151*
- Deleted discussion of standard costs and variable costing
- Updated for provisions of *FASB Statement No. 154*
- Added an explanation of the effects of inventory transactions on the statement of cash flows

Chapter 9 (formerly Chapter 8)

- Clarified the discussion of the steps used for the gross profit method and retail inventory method of estimating inventory.

Chapter 10 (formerly Chapter 9)

- Added example of donation by nongovernmental entity
- Updated discussion of exchanges for *FASB Statement No. 153*, which eliminated similar asset exchanges. All nonmonetary asset exchanges are now recorded in the same way and all gains and losses are recognized in full
- Added an explanation of the effects of property, plant, and equipment transactions on the statement of cash flows

Chapter 11 (formerly Chapter 10)

- Moved discussion of activity-based depreciation methods
- Deleted discussion of retirement and replacement methods
- Updated discussion of Changes and Corrections of Depreciation for *FASB Statement No. 154*. A change in a depreciation method is now accounted for prospectively (instead of by a cumulative effect adjustment)

Chapter 12 (formerly Chapter 11)

- Deleted Appendix on Estimating the Value of Goodwill, but added a short discussion.

Part 3 Financial Reporting: Valuation of Liabilities and Investments

Chapter 13 (formerly Chapter 12)

- Shortened liquidity discussion
- Added a journal entry example for dividends
- Added a diagram to explain the differences in accounting for vacation time and sick pay
- Clarified the accounting for an unconditional purchase obligation

Chapter 14 (formerly Chapter 13)

- Added a diagram for the computation of the bond discount or premium amortization
- Added a diagram explaining the book value and market value methods for the conversion of bonds
- Added a diagram showing the payments for an impaired loan
- Added a discussion of accounting for guarantees under *FASB Interpretation No. 45*
- Added an explanation of the effects of long-term liability transactions on the statement of cash flows

Chapter 15 (formerly Chapter 14)

- Expanded the discussion of “other than temporary” losses
- Added an explanation of the effects of investment transactions on operating cash flows

Part 4 Financial Reporting: Stockholders’ Equity

Chapter 16 (formerly Chapter 15)

- Adjusted discussion of stock subscriptions
- Added some discussion of political controversy about compensatory share (stock) option plans
- Revised discussion of compensatory share option plans
- Replaced discussion of intrinsic method for stock appreciation rights with discussion of newly required fair value method
- Eliminated discussion of intrinsic value method for compensatory share option plans
- Updated discussion of redeemable preferred stock for new GAAP
- Shortened discussion of par value method for treasury stock, eliminated numerical example, and moved to end of section.
- Added a section that explains the effects of capital stock transactions on the statement of cash flows

Chapter 17 (formerly Chapter 16)

- Added numerical example of computing simple basic earnings per share
- Clarified the discussion of effect of stock dividends and splits on EPS
- Shortened and clarified conceptual and procedural discussion of stock dividends
- Shortened discussion of restrictions of retained earnings
- Omitted chapter appendix on quasi-reorganizations because of their rarity

Part 5 Financial Reporting: Special Topics

Chapter 18 (formerly Chapter 17)

- Moved the discussion of Additional Revenue Recognition Issues to an Appendix

Chapter 19 (formerly Chapter 18)

- Changed “deductible temporary difference” to “future deductible amount” and changed “taxable temporary difference” to “future taxable amount”
- Shortened conceptual discussion of deferred assets, deferred liabilities, and measurement of deferred items and valuation allowance
- For each primary example, substituted series of steps explaining measuring and recording deferred taxes, instead of discussing in paragraph format
- Shortened conceptual discussion of operating carrybacks and forwards
- Adjusted intraperiod income tax allocation discussion for elimination of cumulative effect changes
- Eliminated discussion of investment tax credit
- Eliminated chapter appendix on additional conceptual issues regarding interperiod tax allocation
- Added a section that explains the effects of income tax transactions on the operating activities section of the statement of cash flows

Chapter 20 (formerly Chapter 19)

- Updated the discussion of disclosures for *FASB Statement No. 132R*
- Deleted the discussion of the transition requirements of *FASB Statement No. 87* and *No. 106*
- Added a section that explains the effects of pension transactions on the statement of cash flows

Chapter 21 (formerly Chapter 20)

- Increased clarity of account titles (e.g., Leased Equipment under Capital Lease is now Leased Equipment, and Obligation Under Capital Lease is now Capital Lease Obligation)
- Added a section that explains the effects of lease transactions on the statement of cash flows

Chapter 22 (formerly Chapter 21)

- Changed cash “inflows” to “receipts” and “outflows” to “payments” in many places to simplify
- Deleted Exhibit “Differences Between Revenues, Expenses, and Cash Flows from Operating Activities”
- Moved Exhibit “Calculation of Cash Flows from Operating Activities” and related revised discussion to chapter appendix because it relates more to direct method
- Added headings to discussion of worksheet method (indirect method) to make it easier for students to follow steps for completion
- Added “increase” or “decrease” to “Schedule to Compute Operating Cash Flows” to clarify changes in selected balance sheet accounts
- Added headings to discussion of worksheet method (direct method) in chapter appendix to make it easier for students to follow steps for completion

Chapter 23 (formerly Chapter 22)

- Completely revised the Chapter for *FASB Statement No. 154*. All changes in accounting principle are now accounted for by a retrospective application of the new accounting principle on the retained earnings statement instead of a cumulative effect adjustment on the income statement

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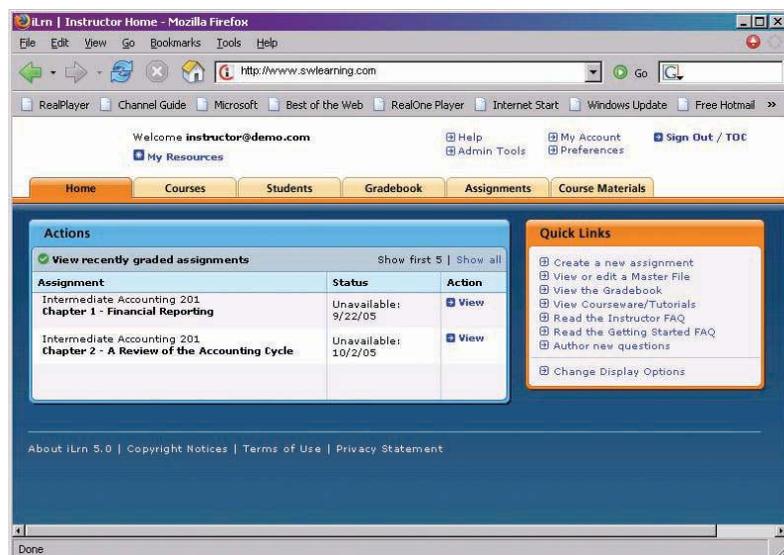
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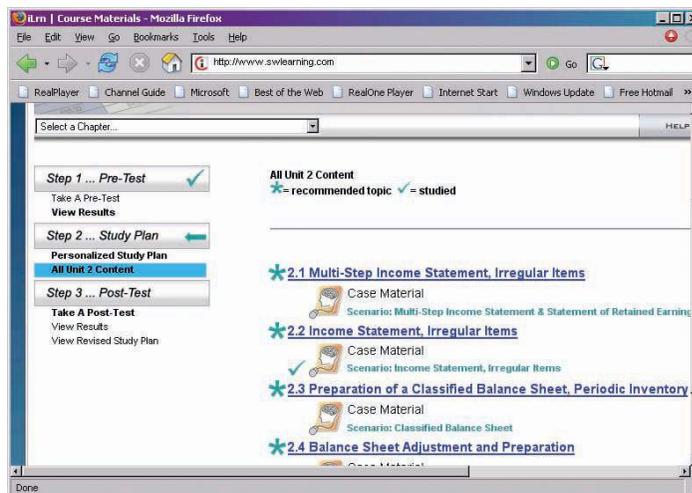
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Solutions Manual	Enhanced Excel® template solutions
Instructor's Manual	Links to accounting-related resources
Instructor's PowerPoint® Presentation	Any FASB Updates and related solutions
Test Bank files in Word	Appendix: Accounting for Changes in Price
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There is a "Communicate with the Authors" link for sending e-mail. As mentioned, the authors will post updates to this site to keep adopters informed of the latest FASB pronouncements.



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Written by Thomas R. Weirich, Central Michigan University; Thomas C. Pearson, University of Hawaii; and Alan Reinstein, Wayne State University.

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