

INDEX

A

- Accelerated-depreciation method, 392, 393, 406
- Account adjustments
 - ethics case, 134
 - exercises, 129–134
 - timing, issues, 104–107
- Account balance, appearance, 140
- Accounting
 - assumptions, 9–11
 - usage, 38
 - components, 7–13
 - conceptual framework, 32–36
 - constraints, 41–44
 - illustration, 42
 - data, users (identification), 4–5
 - definition, 2–5
 - department, organizational chart, 20
 - entity, representation, 413
 - entries, source documents, 293
 - equation, 11–13, 25
 - expansion, 73–74
 - illustration, 11
 - ethics, example, 114
 - external users, 4–5
 - glossary, 25
 - history, 5–6
 - information
 - relevance, 34
 - reliability, 33
 - internal users, 4
 - methods
 - alternatives, 223
 - usage, disclosure, 34–35
 - operating guidelines, 36
 - origins, 5
 - period
 - cost of goods sold, determination, 237
 - data, accumulation, 145
 - policies, 461–462
 - summary, 40
 - process, 3
 - assumptions, usage, 36
 - constraints, impact, 36
 - profession, explanation, 25–27
 - reports, 3
 - study, usefulness, 6–7
 - time period, selection, 105
- Accounting cycle, 14–15, 73–74
 - adjusting entries, importance, 152
 - steps, 15
 - summary, 150–151
- Accounting cycle, completion, 246–248
 - comparative analysis problem, 166
 - ethics case, 166
 - exercises, 163–165
 - financial reporting problem, 165
 - Web exploration, 166
- Accounting information
 - comparability, 34–35
 - consistency, 35
 - neutrality, 34
 - qualitative characteristics, 33, 34–35
 - relevance, 34
 - reliability, 34
- Accounting principles, –41
 - assumptions, 36–37
 - demonstration problem, 56–60
 - economic/political conditions, impact, 33
 - ethics, example, 65
 - exercises, 62–65
 - usage, 41
 - Web exploration, 64
- Accounts, 68–74, 96
 - basic form, 68
 - chart, 80–81, 96
 - illustration, 81
 - comparison, illustration, 125
 - normal balance, 70
 - reconciliation, 302
 - standard form, 78–79
 - three-column form, 96
 - illustration, 78
 - type, identification, 81
 - uniform systems, 15–17
- Accounts payable, 12
 - account, 68
 - analysis, illustration, 187
 - credit, 152
 - demonstration problem, 372–373
 - increase, 187, 190
 - ledger, posting, 495
 - payment, transaction, 49
 - responsibility, 21
 - subsidiary ledger, 484, 501
- Accounts payables accounting
 - ethics case, 378
 - exercises, 374–378
 - financial reporting problem, 378
 - Web exploration, 377–378
- Accounts receivable (A/R), 348–360, 374
 - account, 68
 - aging, 374
 - analysis, illustration, 187
 - current assets, 155
 - decrease, 190
 - demonstration problem, 372–373
 - disposal, 349, 357–360
 - increase, 186–187, 190
 - recognition, 349–350
 - responsibility, 21
 - subsidiary ledger, 484, 501
 - turnover, 216, 226
 - equation, 221
 - illustration, 216
 - types, 348–349
 - valuation, 349, 350–357
- Accounts receivable (A/R) accounting
 - ethics case, 378
 - exercises, 374–378
 - financial reporting problem, 378
 - Web exploration, 377–378
- Accrual-basis accounting, 129
 - cash-basis accounting, contrast, 105–106
- Accruals
 - adjusting entries
 - illustration, 115
 - usage, 115–120
 - adjustment, 115
- Accrued expenses (accrued liabilities), 116–120, 129
 - adjusting entry, 117–118
 - impact, 117
 - adjustment type, 120
 - alternative adjusting entries, inapplicability, 127
- Accrued interest, 117–118
- Accrued revenues (accrued receivables), 115–116, 129
 - adjustment type, 120
- Accrued salaries, 118–119
- Accumulated depreciation
 - analysis, equipment category, 191
 - balance sheet, presentation, advertising outlays 112
 - difference, 112
 - increase, 190–191
 - equipment category, 191
- Accumulated depreciation—office equipment, contra asset account, 112
- Acid-test ratio (quick ratio), 215–216, 226
 - equation, 221
 - illustration, 215
- Actual physical flow, costing (usage), 273–280
- Additional debt, issuance, 210
- Additions and improvements, 406
 - incurred costs, 395
- Adjusted cash balance per books, 308
- Adjusted trial balance, 14, 122–123, 129
 - amounts, extension, 140. *See also* Financial statements
 - columns, adjusted balances (entry), 140
 - contents, display, 250
 - demonstration problem, 197
 - illustration, 122
 - preparation, 122
- Adjusting entries, 129. *See also* Daily recurring adjusting/closing entries
 - basics, 107–121

- categories, 108
 - journalizing, facilitation, 139
 - necessity, 107
 - nonusage, problems, 110, 116, 118
 - preparation, work sheet (usage), 144
 - relationships, summary, 120–121
 - requirement, 107
 - types, 108
 - Adjusting process, computer systems (usage), 119
 - Adjustments, 14
 - approaches, comparison, 125, 126
 - columns, 249–250
 - demonstration problem, 128
 - entry, 139–140
 - journalization, 152
 - nonjournalization, 139
 - relationships, summary, 127–128
 - Administrative expenses (general expenses), 174, 198
 - Advertising purchase (on credit), transaction, 47–48
 - Aging schedule, 355
 - illustration, 355
 - Allowance for Doubtful Accounts, disregarding, 354
 - Allowance method, bases, 353–357
 - Already issued shares, transfer, 428
 - Amazon.com
 - popularity, 369
 - profit, absence, 233
 - American Airlines
 - receipts, treatment, 112
 - ticket sales, cash (receiving), 371
 - American Express
 - A/R billing/collecting, 357
 - credit sales, 359
 - national credit cards, offering, 358
 - American Hotel and Lodging Association (AHLA), 17, 25
 - American Standard, working capital (absence), 213
 - America Online, usage, 205
 - Amortization, 401, 407
 - Annual accounting period, 145, 151
 - Annual depreciation, prorating, 389
 - Application solution providers (ASPs), 93, 96
 - Arm's length transaction, 349
 - Assets, 11, 25. *See also* Total assets
 - account, credit (decrease), 109
 - accountability, 293
 - book value, 112. *See also* Invested assets
 - fair market value, difference, 398
 - depreciation, recognition, 387
 - equation, 70
 - maintenance, 46
 - fair market value, 399
 - replacement, 387
 - sale, 435
 - turnover, 218, 226
 - equation, 221
 - illustration, 218
 - Assistant controller, 20–21
 - Assistant Director of Finance, assistant controller (similarity), 20–21
 - Association of Certified Fraud Examiners, 301
 - Assumed cost flow methods, usage, 274–278
 - Auditing, 27
 - Authorized stock, 426–427, 451
 - Automobile insurance, 110
 - Average collection period, 216
 - Average cost
 - illustration, 278
 - method, 285
 - usage, 274, 277–278
- B**
- Bad debts accounts, posting, 354, 356
 - Bad debts expense, 374
 - increase, absence, 352–353
 - recording, 350
 - reporting, 352
 - Bad debts losses, importance, 351
 - Balance sheet, 52, 54, 61. *See also* Comparative balance sheets
 - account, decrease, 109
 - columns, 250
 - credit amount, balancing, 141
 - entries, reporting, 107
 - format, international differences, 155
 - horizontal analysis, 209
 - increase, adjusting entry (impact), 115
 - percentages, calculation (formula), 211
 - usage, 208
 - vertical analysis, 211
 - Bank
 - account, reconciliation, 305–310
 - procedure, 306–307
 - deposits, making, 302
 - errors, 307, 308
 - memoranda, 307, 308
 - reconciliation, 308–310
 - entries, 308–310
 - illustration, 307–308
 - procedure, illustration, 307
 - service charges, 309, 312
 - statements, 304–310, 312
 - demonstration problem, 311
 - illustration, 304
 - usage, 302–311. *See also* Cash
 - Bankone Corporation, fine, 81
 - Bar code, technology, 237
 - Basic equation, expansion, 73
 - Beginning inventory, 269
 - Beverage cost calculations, 271–272
 - Beverage operation, food costs, 271
 - Blum, Scott, 233
 - Boeing Co., high profit margins, 218
 - Boise Cascade Corporation, units-of-activity depreciation method, 391
 - Bonds
 - common stock conversion, 180
 - payable, increase, 192
 - Bonus, 340
 - agreements, 324
 - Book error, 309
 - Bookkeeping, 25
 - accounting, contrast, 6
 - Book value (carrying value // unexpired cost), 112, 129, 386. *See also* Assets; Declining book value
 - Brunswick Corporation, balance sheet, 157
 - Building, increase, 192
 - Buildings, assets, 382, 384–385
 - Business, funding, 347
 - Business document, 74
 - Businesses, economic life (time period divisions), 105
 - Business judgment rule, 424
 - Buy.com, game plan, 233
 - Bylaws, 451
- C**
- Calendar year, 105, 129
 - Campbell Soup Company
 - advertising outlays, 110
 - LIFO, usage, 278
 - straight-line depreciation, usage, 389
 - working capital, absence, 214
 - Can cutting, 23
 - Capital acquisition, ability, 421
 - Capital expenditures, 395, 407
 - Capital stock, authorization, 427
 - Carrying costs, 283
 - Cash
 - account, 68
 - adequacy, 438
 - amount, 55
 - cash equivalents, 179
 - components, 297
 - controls, 296–302
 - count sheet, illustration, 298
 - credit cards, comparison, 359
 - current asset, 155
 - disbursements, internal control, 300–302
 - principles, application (illustration), 300
 - effects, reporting, 54–55
 - equivalents, 179

- ethics, 182
 - cases, 315–316
 - exercises, 312–315
 - increase, 49
 - revenues, impact, 186
 - inflows, types, 180
 - internal control, bank (usage), 302
 - investing, 182
 - net increase/decrease, 55
 - determination, 186, 190
 - nonadjustment, requirement, 308
 - obsolescence, 304
 - outflows, types, 180
 - register tapes, 243
 - resources, 312
 - sales, 358
 - stocks/bonds issuance, 192
 - Web exploration, 315
- Cash-basis accounting, 129
- Cash dividends, 438–441, 451
 - declaration, impact, 439
 - declaration/payment, cumulative effect, 440
 - entries, 438–440
- Cash flow
 - classification, 179–180
 - importance, 169
 - income, 182
 - meaning, 179
 - predictability, 214
- Cash flows statement, 52, 54–55, 62, 198
 - example (2008), 188–190
 - example (2009), 192–193
 - financing/investing activities, nonimpact, 180
 - format, 181–182
 - illustration, 181
 - indirect method, 185–197
 - example (2009), 193
 - illustration, 189
 - noncash investing/financing activities, noninclusion, 180
 - preparation, 183
 - accrual concept, nonusage, 183
 - steps, 183
 - purpose/format, 178–184
 - usage, 169
 - usefulness, 182
- Cash payments, 300
 - journal, 496–498, 501
 - posting, 498
 - transactions, journalization, 496–497
- Cash realizable value (net realizable value), 351, 374
 - comparison, 353
 - reporting, 364
- Cash receipt (for future service), illustration, 83
- Cash receipt (for services provided), illustration, 86
- Cash receipt (on account), transaction, 49
- Cash receipts
 - credit columns, 492–493
 - debit columns, 492–493
 - internal control, 297–300
 - journal, 490–494, 501
 - journalizing/posting, 491
 - posting, 493
 - transactions, journalizing, 492–493
- Casino hotel, financial management, 18, 20
- Cendant Corporation, shares repurchase, 433
- Certified public accountant (CPA), 26
- Changes, horizontal analysis (formula), 208
- Charter, 451
 - granting, 424
- Check register, 301
- Checks (negotiable instrument), 312
 - cancellation, 305
 - endorsement, payment proof, 323
 - payments, 300
 - remittance advice, illustration, 303
 - writing, 302–303
- ChevronTexaco Corp., units-of-activity depreciation method, 391
- Chicago Cubs, revenue and expense accounts, 72
- Chinese Institute of Certified Public Accountants, members (policing), 5
- Choice Hotels International, shares repurchase, 433
- City ledger, 355. *See also* Hotels
- CKE Restaurants, Inc., calendar year, 105
- Classified balance sheet, 153–162
 - account form, 158
 - illustration, 158
 - assets section, 177
 - demonstration problem, 160–162
 - illustration, 158–162
 - report form, 158
 - illustration, 159
 - standard classifications, 154–158
 - usage, 176–177
- Closely held corporation, 420
- Closing, 14
 - Income Summary account, usage, 147
 - process, diagram, 146
- Closing entries
 - illustration, 147
 - journalization, 147. *See also* General journal
 - posting, 147–148
 - illustration, 148
 - preparation, 145–146
 - ease, 247
- Closing the books, 144–150
- Club industry, accounts (uniform system), 16
- Club Managers Association of America (CMAA), 16, 23
- Club operations, accounting/financial management, 23–24
- Coca-Cola
 - capital expenditures, 395
 - treasury stock, report, 432
- Coca-Cola, advertising outlays, 110
- Collection agent, 368
- Column, footing, 90
- Common stock, 71, 96
 - cash dividends, allocation, 440–441
 - identification, 426
 - issuance, 180, 429. *See also* Noncash assets; No-par value common stock; Par value common stock; Services issues, accounting, 429–432
- Comparability, 61
- Comparative analysis, necessity, 206–207
- Comparative balance sheets, 178
 - illustration, 194
 - increases/decreases, display, 185, 189
 - source, 183
- Compound entry, 76, 96
 - usage, assumptions, 76
- Compound journal entry, illustration, 78
- Computerization, future, 93
- Computerized accounting systems, 75
- Computer-related frauds, 294
- Conceptual framework, 61
 - illustration, 43
- Conservatism, 42, 61
- Consistency, 61
- Consolidated balance sheet, 457
- Consolidated financial statements, notes, 459–478
- Consolidated statement of cash flow, 456
- Consolidated statement of common shareholders' equity, 458
- Consolidated statement of income, 176, 198, 455
 - illustration, 176
- Contra asset account, 129. *See also* Accumulated depreciation—office equipment
 - real account, equivalence, 145
- Contra revenue account, 245, 254
- Control. *See* Internal control
 - account, 501
 - effectiveness, 291
 - importance, 293
 - procedures, establishment, 296
- Controller, 25. *See also* Assistant controller
 - usage, 20

- Co-partnership, articles, 451
- Copyright Office, 156
- Copyrights, 402, 407
- Corporate capital, 424, 451
- Corporations, 451
 - advantages/disadvantages, illustration, 423
 - characteristics, 420–423
 - continuous life, 421
 - corporate capital, 424–429
 - exercises, 452–453
 - formation, 424
 - government regulations, impact, 421
 - incorporation, 424
 - international designation, 424
 - legal obligation, 439
 - management, 421
 - organization, 10
 - chart, 422
 - costs, incurred expenses, 424
 - taxes, addition, 423
 - Web exploration, 453
- Correcting entries, 151–154
 - illustration, 152, 153
 - posting, necessity, 152
- Cost
 - allocation, illustration, 275, 277
 - definition, 9
 - expenditure components, 383–384
 - principle, 25, 40–41, 61, 383
 - relevance, 40–41
 - reliability, 40
- Cost flow assumptions, 274
 - accounting requirement, absence, 274–275
- Cost flow methods
 - balance sheets, impact, 279
 - comparative effects, illustration, 278
 - financial statement, impact, 278–279
 - income statements, impact, 278–279
 - taxes, impact, 279
- Cost of food consumed, 271
- Cost of food sold, 271
- Cost of goods available for sale, 285
 - computation, illustration, 269
- Cost of goods calculation
 - ethics case, 287
 - exercises, 286–287
 - Web exploration, 287
- Cost of goods on hand, determination, 269
- Cost of goods purchased, 285
 - computation, illustration, 269
 - determination, 268–270
 - procedure, 268
 - freight-in, 267
- Cost of goods sold (CGS // COGS), 39, 254, 268, 285
 - computation, 269–270
 - illustration, 269
- determination, periodic inventory system (usage), 268
- formula, illustration, 281
- increase, 243
- involvement, 247
- proof, illustration, 276, 277
- section, 272
- Credit cards
 - retailer advantage, 358
 - sales, 358–360
- Credit department, 360
- Crediting, 69
- Credit manager, responsibility, 21
- Creditors, 4
 - subsidiary ledger, 484, 501
- Credit policies, 360–361
- Credit purchase, support, 238
- Credits, 69, 96
 - balance, 69
 - effect, illustration, 70, 71, 72
 - memorandum, 254, 305
 - procedures, 69–72
 - requirement, determination, 81
 - rules, illustration, 73
- Credit sales, 358
- Credit terms, 241–242, 254
- Cross-footing, 501
- Cuisine-on-the-Go, accounts adjustment
 - example, 103
- Cumulative dividend, 437, 451
- Currency, usage, 329
 - minimization, 302
- Current assets, 154–155
 - adjustments, 193
 - changes, operating activities (relationship), 180
 - illustration, 215
 - types, 155
- Current income statement, source, 183
- Current liabilities, 156–157
 - adjustments, 193
 - changes, operating activities (relationship), 180
 - definition, 367–372
 - illustration, 157
- Current ratio, 214–215, 226
 - equation, 221
 - simplicity, 215
- Current year, horizontal analysis (formula), 208
- Customers
 - accounts, deposit (crediting), 304
 - information needs, 5
 - subsidiary ledger, 484, 501
- Cyberian Outpost, bankruptcy, 233
- Cycle, term, 155
- Darden Restaurants, inventory turnover
 - formula/computation (illustration), 283
- Day trader, example, 205
- Debiting, 69
- Debits, 69, 96
 - balance, 69
 - addition, 356
 - credits, equivalence, 69
 - effect, illustration, 70, 71, 72
 - memorandum, 305
 - illustration, 240
 - usage, 244
 - procedures, 69–72
 - requirement, determination, 81
 - rules, illustration, 73
- Debt, issuance, 180
- Debt obligations/commitments, 473–474
- Debt to total assets ratio, 220, 226
 - equation, 222
 - illustration, 220
- Decision usefulness, 34
- Declaration date, 439, 451
- Declining-balance depreciation, 388, 391–392, 407. *See also* Double-declining-balance depreciation schedule
 - method, formula (illustration), 391
- Declining book value, 391
- Deductions, 327. *See also* Payroll
- Deficit, 451
- Delivery truck, cost computation (illustration), 385
- Dell, Inc., stockholder equity, 158
- Del Monte Corporation, LIFO usage, 278
- Delta Air Lines
 - balance sheet, 156
 - calendar year, 105
 - receipts, treatment, 112
- Departmental income statement, 175
 - illustration, 175
 - necessity, 175
- Deposits in transit, 306, 307, 312
- Deposit slip, illustration, 303
- Depreciable asset, 386
 - cost, 112
- Depreciable cost, 407
- Depreciation, 129
 - adjustment
 - illustration, 112
 - necessity, 111–112
 - allocation concept, illustration, 386
 - annual rate, 389
 - cessation, 390
 - computation, factors, 387
 - illustration, 387
 - cost allocation, 386
 - estimate, recognition, 111

D

Daily recurring adjusting/closing entries, 248

- expense, 112
 deduction, IRS allowance, 393
 determination, 190–191
 methods, 388. *See also* Accelerated-depreciation method
 comparison, 393
 patterns, 393
 relationship. *See* Income taxes
 revision, computation (illustration), 394
 schedule, 389
 usage, 111, 386–394
- Diners Club
 A/R billing/collecting, 357
 credit sales, 359
 national credit cards, offering, 358
- Direct methods, 183–184. *See also* Operating activities
- Director of Finance, 20
- Director of Information Technology, responsibility, 21–22
- Director of Purchasing, responsibility, 22
- Direct write-off method, 351, 374.
See also Uncollectible accounts
 effects, illustration, 351
- Discount period, 242
- Dishonored note, 365, 374
- Disney. *See* Walt Disney Productions
- Dividends, 13, 25, 96, 438–445, 451.
See also Cash dividends; Liquidating dividend; Stock dividends
 corporation declaration/payment, illustration, 85
 dates, illustration, 440
 declaration, 438
 distribution, 71
 expenses, nonequivalence, 147
 impact. *See* Retained earnings
 investor interest, 439
 payment, 192
 ability, 182
 quarterly reporting, 438
 transaction, 50
- Dividends in arrears, 437
- Documents, prenumbering, 293
- Dollar signs, usage, 91
- Double-declining-balance depreciation schedule,
 illustration, 391
- Double-entry accounting system, 78
- Double-entry system, 69–70, 96
- Doubtful accounts, allowance, 352
 presentation, 352
- Dun & Bradstreet, 207
- Duties
 principle, segregation, 295
 related activities, 292–293
 segregation, 292–293, 312
- E**
- Earliest goods, purchase, 275
- Earnings
 document, statement, 329
 management, ethics, 39
 retention, 210
 statement, 330
- eBay
 name, registration, 404
 profitability, consistency, 233
- E-business, usage, 10
- Economic entities
 accounting equation, application, 11
 assumption, 9–11, 25, 37, 61
- Economic events
 communication, 2, 3, 6
 identification, 2–3, 6
 internal action, 45
 involvement, 44–45
 recordation, 2, 3, 6
- Economic planners, information needs, 5
- 8 percent regulation/rule, 331
- Electronic controls, 294
- Electronic data processing, 92–95
- Electronic funds transfer (EFT), 301, 312
- Employees. *See* Tipped employees
 cash, bonding, 295
 duties, rotation, 295
 earnings record, 327, 340
 illustration, 328
 hiring, 321
 illustration, 85
 salaries, 324
 vacations, taking, 295
 work, nonduplication, 292
- Employee's Report of Tips to Employer (Form 4070), 333
- Employee's Withholding Allowance Certificate (W-4 form // Form W-4), 326, 340
- Employer payroll taxes, 336–339
 illustration, 370
 recording, 337–338
- Employers, taxes (levy), 336
- Employer's Annual Information Return of Tip Income and Allocated Tips (Form 8027), 331
 illustration, 332
- Employment disability, providing, 325
- Employment status changes, human resources department (responsibility), 321
- Ending inventory
 cost, 27, 276
 costs, allocation, 276
 error, 281
 illustration, 282
- End of month (EOM) calculation, 242
- Enron
 board of directors, questions, 423
 code of ethics, waiver, 8
 financial/accounting scandal, 1
 investor criticism, 172, 251
- Enterprise coverage, 323
- Entries, comparison, 152
- Equation, analyses, 109
- Equipment
 analysis, 192
 asset, 382, 385
 increase, 192
 sale, loss, 191
- Equipment purchase (for cash), transaction, 46
- Equity, trading (leverage), 226
- Errors, 305. *See also* Bank irregularities, differentiation, 91
 locating, 91
 offsetting, 91
- Error Some Place (ESP) method, 146
- Estimated collectibles, recording, 351–352
- Ethics, 25
 business concept, 8
 cases, analysis (steps), 8
- eToys, bankruptcy, 233
- Europe, accounting (consideration), 33
- Events
 credit policy, 360–361
 systematic/chronological diary, 3
- Executive committee, 18, 25
 relationship. *See* General manager
- Expenses, 12, 25
 account
 crediting, 145
 debit increase, 109, 117, 124
 incurred, 108
 payment, transaction, 48–49
 recognition, 106. *See also* Matching principle
 GAAP relationship, illustration, 107
 pattern, 39
 report, ethics example, 174
 understatement, 118–119
- Expired costs, 39. *See also* Unexpired costs
- External transactions, 44–45
- External users. *See* Accounting questions, 5
- F**
- Factor, 374
- Fair Labor Standards Act (FLSA), 323–324, 340
 maximum allowable tip credit, 331
 minimum wage specification, 330–331
 regulation. *See* Overtime
 Section 13(a)(1), 324
- Faithful representation, 34
- FASB. *See* Financial Accounting Standards Board

- Federal Insurance Contribution Act (FICA), 325
taxes, 340
payment, 336
- Federal Unemployment Tax Act (FUTA), 336–337
- Federal unemployment taxes, 336, 340
- Feedback value, 34
- Fees, 320
- Figures, summing, 90
- Final sums, double underlining, 54
- Finance, accounting (assistance), 7
- Financial accounting, 6, 25, 32
- Financial Accounting Standards Board (FASB), 8–9, 25, 32
conceptual framework, 33
FASB 95, 169
operating guidelines, recognition, 36
public accounting rules, 15
- Financial condition, 54
- Financial ratio classifications, 213
- Financial reporting, 15–17
example, 1
objectives, 33
practices, conceptual framework (summary), 42–43
reconsideration, 40
usage. *See* Hospitality
- Financial statement analysis
basics, 206–207
comparative analysis problem, 230
estimates, 222
ethics case, 230–231
exercises, 226–231
financial reporting problem, 230
limitation, 222–225
tools, 207
- Financial statements, 3, 52–60, 122–123
columns, adjusted trial balance amounts (extension), 140
comparative analysis problem, 201
compilation, 14
cost basis, 222
demonstration problem, 223–225
derivation, work sheet (usage), 143
elements, 33, 35–36, 61
ethics case, 202
exercises, 199–202
financial reporting problem, 201
impact. *See* Cost flow methods
interrelationships, 53
preparation, 107, 122–123
adjusting entries, usage (necessity), 107
trial balance, usage, 88
work sheet, usage, 141–143
presentation, 43–44
standards, differences/uniformity, 44
usefulness, increase, 154
- Web exploration, 201
- Financing activities, 179, 198
- Financing transactions, 55, 182
- Finished goods, 263
- Fire and theft insurance, 110
- Firms, diversification, 223
- First costs, illustration, 275
- First-in, first-out (FIFO) accounting
method, 34
selection, 35
- First-in, first-out (FIFO) method, 285.
See also Inventory
assumption, 275
illustration, 275
impact. *See* Net income
usage, 274, 275. *See also* General Motors Corporation
- First units, acquisition, 275
- Fiscal year, 105, 129
- Fiscal year-end data, 223
- Fixed assets, 383. *See also* Property, plant, and equipment
- Fixed ratio, remainder. *See* Partnerships
- Flowcharts, usage, 299
- FLSA. *See* Fair Labor Standards Act
- FOB. *See* Free on board; Freight on board
- Food and beverage cost analysis, 23
- Food cost calculations, 271
- Food operation, prime costs, 271
- Foodservice industry, accounts (uniform system), 16
- Foodservice managers, accounting information (usage), 4
- Foodservice operations, accounting/financial management, 22–23
- Footing, 501
- Foreign Corrupt Practices Act, 4
internal control requirement, 291
- Forensic CPAs, 7
- Forster's Restaurant, recording process (example), 67
- Forte Hotels (comparison), classified balance sheet (usage), 154
- Four Seasons Hotels & Resorts
comparison, classified balance sheet (usage), 154
financial statements, issuance, 34
- Franchises, 403, 407
- Franklin Corporation, balance sheet (illustration), 159
- Fraud. *See* Computer-related frauds
examples, 291
inclusion. *See* Inventory
scams, 296
- Free on board (FOB)
destination, 264
shipping point, 264
- Freight bill (bill of lading), 241
- Freight charges, 385
- Freight costs, 241
example, 267
incurring, 241
- Freight-in, addition, 268
- Freight on board (FOB), 241
destination, 241, 254
shipping point, 241, 254
- Fringe benefits, 340
percentage. *See* Total revenue
- Full disclosure principle, 40, 61
satisfaction, 180
- Functions, separation, 292
- Furniture, fixtures, and equipment, 383
- Future cash flows, generation ability, 182
- ## G
- Gains/losses, disclosure, 172
- Gaming industry, accounts (uniform system), 17
- General journal, 75, 96
adjusting entries, display, 120
closing entries, journalization, 145
entries
example/illustration, 76, 88
recording, 488
special journal, impact, 498–500
- General ledger, 77, 96
adjustment, 121
example, 89, 95
illustration, 150
temporary accounts, illustration, 151
- Generally accepted accounting principles (GAAPs), 8–9, 25, 32, 61
cash-basis accounting, nonaccordance, 105
components, 106
ignoring, 42
- General management, accounting (assistance), 6
- General manager, 25
executive committee, relationship, 18
- General Mills
accounts, usage, 80
straight-line depreciation, usage, 389
- General Motors Corporation
FIFO, usage, 223
vehicles, classification, 263
- General partner, 451
- Ghost employees, appearance, 321
- Gift shop and sundries, merchandise (representation), 176
- Global Crossing, financial/accounting problems, 1
- Going concern assumption, 37, 62
- Golf, athletic package, 24
- Goods
actual physical flow, 273

ownership, determination,
263, 264
physical movement, 274–275
Goodwill, 403, 407
recording, 403
Gross earnings, 324, 340
Gross profit, 171–172, 254
computation, 171, 269
rate formula/computation, 171
section, 272
Gross receipts method, 331, 340
illustration, 334
Growth, finance (selection), 210
Guest ledger, 355

H

Hanover Compressor, financial results
(restatement), 81
Harold's Club, expense recognition
guidelines, 39
Head cashier, preparation, 298
Hilton Grand Vacations Company,
example, 483
Hilton hotels
cash registers, 298
checks, receiving, 299, 371
common stock, par value, 428
per share dividend, 438
Honored note, 364–365
Horizontal analysis, 207–210, 226.
See also Balance sheet; Income
statements; Retained earnings
formula. *See* Changes; Current year;
Net sales
Hospitality
accounting/financial reporting, usage,
17–24
industry, service (importance), 319
success, 17
Hospitality accounting
exercises, 27–29
financial reporting problem, 29
Web exploration, 29
Hospitality Financial and Technology
Professionals (HFTP), 16, 25
Hospitality merchandising operations,
accounting
ethics case, 258
exercises, 254–258
Web exploration, 257–258
Hospitality Purveyors, accounts adjustment
example, 103
Hotels
accounting department organization,
20–22
city ledger, 361
division, 270
industry, departmental structure,
18–19

Hotels, departments
interaction, 17–18
structure, 18–19
Hours worked method, 333, 340
illustration, 335
Housekeeping supervisors, accounting
information (usage), 4
Houstonian Hotel, Club & Spa
construction costs, 381
depreciation, 388
Human element, 296
Human resources department
authorization form, 322
responsibility. *See* Employment status
changes

I

IASC. *See* International Accounting
Standards Committee
IBM, gains/losses (detail, increase), 251
Immediate liquidity, acid-test ratio
measurement, 215
Impairment changes, 463
Income and loss ratio, 416
Income from operations.
See Operations
Income measurement process. *See*
Merchandise
Income ratio, 416, 451. *See also*
Partnerships
Income statement, 52, 62. *See also*
Consolidated income statement;
Departmental income statement; Multiple-
step income statement; Single-step income
statement
account, increase, 109
adjusting entry, impact, 115
balance sheet
interaction, illustration, 178
relationship, 177–178
columns
debit amount, balancing, 141
information, display, 250
condensation, 208–210
demonstration problem, 196
horizontal analysis, 209
illustration, 194–195
impact. *See* Cost flow methods;
Inventory
information, addition, 185
inventory
errors, impact (illustration), 282
importance, 263
items, reporting, 179
net income
display, 52, 178
division, illustration, 418
nonoperating activities, reporting, 173
preparation, 272
illustration, 123
presentation. *See* Sales
profit, display, 169
subdivisions, 270
usage, 170–178
vertical analysis, 211
Income Summary, 145
account, usage. *See* Closing
debiting, 145
Income taxes, 325–327,
465–466
depreciation, relationship, 393
Independent internal verification,
294–295
principle, illustration, 295
Indirect methods, 183–184, 198.
See also Cash flows statement;
Operating activities
Individual coverage, 323
Individuals, association, 413
Industrial Age, 5–6
Industry averages (norms), comparison,
207
basis, 214
Inflows
reporting, 182
types. *See* Cash
Information
age, 6
flow, 14
usefulness, characteristics, 35
Information technology (IT), 21–22
Insurance
accounts, adjustment (illustration),
111
payment, 385
illustration, 84
usage, 110–111
Intangible assets, 156, 401–404, 407,
463–464
exercises, 407–409
Web exploration, 409
Intercompany basis, comparison, 207
Intercompany comparison, 214
Intercompany income statement,
comparison, 212
Interest. *See* Accrued interest
accounts, adjustment (illustration),
117
computation, 363
formula, illustration, 367
coverage. *See* Times interest earned
definition, 117
money, borrowing cost, 117
payment, 243
rate (annual rate), 363
Interim periods, 105, 129
Internal auditors, 312
Internal control, 312. *See also* Payroll
ethics cases, 315–316

- exercises, 312–316
 - importance. *See* Timekeeping
 - principles, 291–295. *See also* Cash adherence, 263–264
 - application, illustration, 297
 - usage, 290–296
 - Web exploration, 315
 - Internal Revenue Service (IRS), 4
 - allowance. *See* Depreciation
 - income data requirements, 338
 - Internal transactions, 45
 - Internal users. *See* Accounting questions, 4
 - International Accounting Standards Committee (IASC), 44, 62
 - International Spa Association, 16
 - Internet usage, increase/impact, 6
 - Intracompany basis, comparison, 207
 - Intracompany comparisons, 214
 - Inventoriable costs, 285
 - Inventoriable units/costs, illustration, 274
 - Inventory. *See* Merchandise inventory
 - account, 235
 - basics, 262–266
 - calculation
 - ethics case, 287
 - exercises, 286–287
 - Web exploration, 287
 - classification, 263
 - cost flow methods, usage (consistency), 280
 - costing
 - FIFO method, 223
 - LIFO method, 223
 - periodic inventory system, usage, 273
 - demonstration problem, 284
 - errors, 281–282
 - balance sheets, impact, 282
 - income statements, impact, 281
 - fraud, inclusion, 281
 - item, marking/tagging/coding, 273–274
 - quantities, determination, 263–265
 - sale, average days (requirement), 217
 - summary sheets, 264
 - systems, 236–238. *See also* Perpetual units only inventory system
 - Inventory turnover, 216–217, 226, 285
 - equation, 221
 - illustration, 217
 - Invested assets, book/market value (illustration), 415
 - Investing activities, 179, 198
 - pertinence, 55
 - Investing transactions, 55
 - Investments, 155
 - Investors, 4
 - criticism, 172, 251
- J**
- JC Penney Company, advertising outlays, 110
 - Journal, 75–77, 96. *See also* General journal
 - demonstration problem, 94
 - exercises, 501–503
 - expansion, 487–498
 - reference column, 80
 - Web exploration, 503
 - Journal entries
 - double posting, 91
 - posting, illustration, 79
 - transfer, procedure, 79–80
 - Journalizing, 14, 75, 96
 - account titles, usage (importance), 76
 - summary illustration, 87–88
 - Juneau Country Club, accounts adjustment example, 103
- K**
- Kellogg, activities results (reporting), 105
 - Kentucky Fried Chicken, intangible assets, 401
 - Kitchen equipment, cost computation (illustration), 385
 - Kmart, low profit margins, 218
 - Kroc, Raymond Albert, 411
 - Kroger, low profit margins, 218
- L**
- Labor, division (result), 490
 - Labor unions, information needs, 5
 - Lake Swan Resort, accounts adjustment example, 103
 - Land, 383, 384
 - cost, computation (illustration), 384
 - improvements, 382, 384
 - increase, 192
 - Large stock dividend, 442
 - Last costs, illustration, 276
 - Last-in, first-out (LIFO) accounting method, 34
 - Last-in, first-out (LIFO) method, 285
 - assumption, 276
 - usage, 274, 276–277
 - Ledger, 77–81, 96
 - account, reference column, 80
 - correctness, 89
 - proving, 490, 493–494
 - usage, 14
 - Legal capital, 451
 - par value stock/no-par value stock, relationship, 428
 - representation, 428
 - Legal existence, separation, 420
 - Leverage. *See* Equity
 - Liabilities, 11–12, 25
 - account
 - debit (decrease), 113
 - equation, 70
 - overstatement, 113
 - presentation, 54
 - understatement, 118–119
 - Licenses, 403, 407
 - Licensing rights, intangible assets (recording), 403
 - Limited liability, 10
 - Limited partnerships, 414, 451
 - Liquidating dividend, 438, 451
 - Liquidity
 - acid-test ratio measurement. *See* Immediate liquidity
 - current assets order, listing, 155
 - ratios, 214–217, 226
 - summary, 221
 - Lodging industry
 - accounts, uniform system, 16
 - departmental structure, 18–19
 - Long John Silver's, accounting procedures (changes), 93
 - Long-term assets, 383–401, 407
 - book value, sale proceeds (excess), 397
 - classes, subdivision, 383
 - cost, determination, 383–384
 - disposal, 396–401
 - gain, 397–398
 - loss, 398
 - method, illustration, 396
 - exchange, 398–401
 - gain treatment, 399–400
 - loss treatment, 398–399
 - exercises, 407–409
 - percentage, relationship. *See* Total assets
 - retirement, 396–397
 - sale, 397–398
 - Web exploration, 409
 - Long-term creditor, 206
 - Long-term debt, current maturities, 371–372
 - Long-term investments, 155
 - Long-term liabilities, illustration, 157
 - Lucas, George (cost expensing), 106
- M**
- MACRS. *See* Modified Accelerated Cost Recovery System
 - Mail receipts, 299–300
 - Maker (drawer), 302, 361, 374
 - Management consulting, 27
 - Managerial accounting, 6, 25, 27
 - Manual accounting systems, computerized
 - accounting systems (comparative advantages), 92
 - Manufacturer inventory, company ownership, 263
 - Marketing, accounting (assistance), 6
 - Market value, 9
 - Marriott Corporation, straight-line

- depreciation (usage), 389
- Marriott International, Inc.
 - calendar year, 105
 - cash registers, 298
 - inventory report, 263
 - per share dividend, 438
 - preferred stock, no par value, 428
 - shares repurchase, 433
 - treasury stock, report, 432
- Master account, billing preference, 356
- MasterCard
 - A/R billing/collecting, 357
 - national credit cards, offering, 358
 - usage, 358
- Matching principle (expense recognition), 38–39, 62, 129
- Material, definition, 351
- Materiality, 42, 62
- Maturity date
 - computation, 362
 - determination, 362–363
 - illustration. *See* Notes receivable
- McDonald's
 - franchise commitment, 411
 - intangible assets, 401
- Measurement, unit (constancy), 9
- Mechanical controls, 294
- Media advertising, costs, 110
- Medical benefits, providing, 325
- Membership accounting, 23
- Merchandise
 - credit purchases, journalization, 495
 - demonstration problem, 251–253
 - purchases, recording, 238–243, 266–267
 - sales, recording, 243–246, 267
 - transactions, recording, 266
- Merchandise inventory, 263
 - account, 269
 - current asset, classification, 176
 - decrease, 243
 - involvement, 247
- Merchandiser
 - adjusting entries, usage, 246–247
 - closing entries, impact, 247
 - income measurement process, 235
 - income statement, periodic inventory system (usage), 270
 - internal decision-making, 244
 - operating cycles, 236
 - work sheet, 248–253
 - illustration, 249
 - usage, 248–250
- Merchandising companies, balance sheet, 263
- Merchandising entries, summary, 247–248
- Merchandising operations, 234–238
 - accounting. *See* Hospitality merchandising operations
 - Merchandising profit, gross profit representation, 172
 - Meristar Hotels and Resorts, ASP (usage), 93
 - Microsoft Corp., SEC charges (settlement), 114
 - Model business codes, adoption, 291
 - Modified Accelerated Cost Recovery System (MACRS), 393–394, 407
 - Monetary unit assumption, 9, 25, 37, 62
 - Monthly rent, payment (illustration), 83
 - Moody's, 207
 - Mug and Musket
 - exercise, 93
 - recording process, example, 67
 - Multinational corporations (MNCs), 43–44
 - Multiple-step income statement, 170–174, 198
 - illustration, 173
 - Mutual agency, 413–414
- N**
- National Commission on Fraudulent Financial Reporting, conclusions, 291
- National/international exchanges, trading volume, 427
- National Restaurant Association (NRA), 23, 25
- Negative amounts, parentheses (usage), 54
- Net cash
 - investing/financing activities (provided/usage), determination, 188, 192–193
 - operating activities (provided/usage) conversion, summary, 193–194
 - determination, 188–191, 195
 - presentation, 187
 - illustration, 191
- Net income, 25
 - adjustment, 186
 - computation, 140–141, 269
 - operating expenses, usage, 172
 - division, 416–419
 - increase, FIFO (impact), 279
 - measurement, 172
 - net cash
 - difference, reasons, 182
 - operating activities contrast, 186
 - overstatement, 118
 - representation, 13
 - result, 12
 - reverse effect, 281
 - understatement, 113
- Net loss, 25
 - computation, 140–141
 - division, 416–419
 - result, 12, 446
- Net pay, 340
 - computation, illustration, 327
 - determination, 327
- Net purchases, 285
 - computation, illustration, 269
- Net sales, 198
 - horizontal analysis, 208
 - illustration, 208
- New asset, cost, 399
- Night audits/Day audits, usage, 21
- Nominal accounts, 144
- Noncash activities, 180–181
- Noncash assets, common stock (issuance), 431
- Noncash charges, adjustments (illustration), 194
- Nonoperating activities, 170, 198
 - components, 172–174
 - contrast. *See* Operating activities
- Nonoperating sections, items (reporting), 173
- Nonprofit corporation, 420
- No-par value common stock, issuance, 430–431
- No-par value stocks, 428, 451
 - stated value, 428
- Normal balance, 70–72, 268. *See also* Accounts
- Norms. *See* Industry averages
- North American Free Trade Agreement (NAFTA), 9
- Note receivable, collection, 308–309
- Notes payable, 367–368, 374
 - usage, 12
- Notes receivable, 349, 361–366, 374
 - dishonor, 365
 - disposal, 364–366
 - honor, 364–365
 - interest rate, importance, 364
 - maturity dates, illustration, 363
 - recognition, 364
 - sale, 365
 - profitability, 366
 - usage. *See* Payee valuation, 364
- Not-for-profit accounting, 26–27
- Not sufficient funds (NSF)
 - check, 309, 312
 - marking, 305
- O**
- Obligations, meeting (ability), 182
- Obsolescence, 394
 - impact, 387
- Office equipment, purchase (illustration), 82
- Oldest goods, unit cost, 276–277

514 Index

- Operating activities, 179, 198
 - conversion, indirect/direct methods, 183–184
 - nonoperating activities, contrast, 170
 - transactions, cash effects, 179
 - Operating cycles, 235. *See also* Merchandiser; Service company
 - Operating expenses, 39, 254
 - accounting, 273
 - computation, 269
 - net income component, 172
 - recording, 403
 - subgrouping, 173, 174
 - Operating guidelines, 33, 36
 - Operations
 - analyst, responsibility, 22
 - cash effects, reporting, 54–55
 - first year data, 185–189
 - income, 182, 198
 - second year data, 189–197
 - Ordinary repairs, 395, 407
 - Organization
 - corporate form, 420–432
 - costs, 424, 451
 - Other expenses and losses, 198
 - reporting, 357
 - section, 172
 - Other receivables, 374
 - Other revenues and gains, 198
 - section, 172
 - Outflows, reporting, 182
 - Outstanding checks, 306, 308, 312
 - Outstanding stock, 451
 - Over-the-counter cash sales, execution, 299
 - Over-the-counter receipts, 298
 - Overtime, FLSA regulation, 323
 - Ownership interest, change (absence), 441
 - Ownership rights, transferability, 421
- P**
- Pacioli, Luca, 5
 - Paid-in capital, 12
 - accounts, impact, 429
 - increase, 441
 - total, calculation, 430
 - Paper profit, reporting (avoidance), 279
 - Park Place Entertainment, shares repurchase, 433
 - Partners, capital statement (illustration), 419
 - Partnerships, 25, 413–419, 451. *See also* Limited partnerships
 - activities, separation, 10
 - advantages/disadvantages, 414–415
 - illustration, 415
 - agreement, 415
 - characteristics, illustration, 413
 - closing, ledger balances (illustration), 417
 - closing entries, 416–417
 - dissolution, 414
 - exercises, 452–453
 - financial statements, 419
 - fixed ratio, remainder, 418–419
 - formation, 415–416
 - income ratios, 417–418
 - interest, 418–419
 - limited life, 414
 - net income/loss, sharing, 416
 - partners, salaries, 418
 - permanent investment, 417
 - salaries, 418–419
 - unlimited liability, 414
 - Web exploration, 453
 - Par value common stock
 - demonstration problem, 449–450
 - issuance, 429–430
 - Par value stocks, 428, 451
 - Pasta Pomodoro, Internet (usage), 93
 - Patents, 402, 407
 - cost, amortization, 402
 - initial cost, 402
 - Paycheck, illustration, 330
 - Payee, 302, 361, 374
 - notes receivable, usage, 362
 - Paymaster/General cashier, responsibility, 21
 - Payment date, 440, 451
 - Payments, business activity classification, 180
 - Payroll
 - deductions, 325–327, 340
 - illustration, 325
 - definition, 320
 - department records, maintenance, 327–329
 - determination, 324–327
 - employees, calculations, 21
 - exercises, 340–345
 - expenses/liabilities, recognition, 329
 - floating head, 344
 - group decision case, 344–345
 - internal control, 320–324
 - payment, 323
 - recording, 329
 - percentage. *See* Total revenue
 - preparation, 323
 - recording, 327–336
 - register, 328, 340
 - taxes, 369–371. *See also* Employer payroll taxes
 - expense, 336
 - payable, 369–371
 - payment, 369–370
 - transactions, demonstration problem, 339
 - Web exploration, 343–344
 - Pension plans, 468–471
 - PepsiCo
 - accounting policies, 461–462
 - accumulated other comprehensive loss, 477
 - advertising outlays, 110
 - Coca-Cola, comparative analysis problem, 230
 - exercise, 55
 - financial reporting
 - internal control, management report, 480
 - management responsibility, 479
 - problem, 29, 230, 378
 - financial statements, 1, 460–461
 - net income per common share, 476
 - noncontrolled bottling affiliates, 472–473
 - preferred/common stock, 477
 - supplemental financial information, 478
 - Percentage change, 210
 - Periodic depreciation, 394–395
 - Periodic inventory system, 254, 265
 - perpetual inventory system, comparison, 238
 - usage, 266–272, 274
 - Periodicity assumption, 105
 - Periodic system, 237
 - Permanent accounts, 144, 147
 - illustration, 150
 - usage, 149
 - Perpetual inventory system, 238, 254, 488
 - Perpetual system, 236–237
 - usage, 237–238
 - requirements, 246–247
 - Perpetual units only inventory system, 265
 - Personal liability insurance, 110
 - Pets.com, bankruptcy, 233
 - Phantom profit, reporting (avoidance), 279
 - Physical controls, 294
 - Physical inventory
 - control, 236
 - example, 261
 - execution, 263–264, 269
 - Policy Management Systems, accounting example, 31
 - Pool of costs
 - allocation/matching, 273
 - illustration, 276
 - Postclosing trial balance, 14
 - illustration, 149
 - preparation, 149–150
 - Posting, 14, 79–80, 96
 - chronological order, 79
 - completion, determination process, 79
 - summary illustration, 87–88
 - Predictive value, 34

- Preferred stock, 436–437, 451
 cash dividends, allocation, 440–441
 cumulative dividend, 437
 dividend preferences, 437
 total dividends, computation (illustration), 437
- Prenumbered invoices, 293
- Prenumbering, corollary, 293
- Prepaid expenses, 109–112, 129
 accounts, adjustment (illustration), f125
 adjusting entry, impact, 109
 adjustment type, 120
 alternative treatment, 124–128
 current assets, 155
 decrease, 190
 expiration, 109
 increase, 190
 recording, 127
- Prepayments
 adjusting entries, usage, 108–115
 debit, 125
 relationships, summary, 127
- Price-level adjusted data, disclosure, 41
- Prime costs. *See* Beverage operation; Food operation
- Principles. *See* Accounting rules, 36
- Prior period adjustments, 447, 451
- Private accounting, 26, 27
- Privately held corporation, 420, 451
- Profit, reporting (avoidance). *See* Paper profit; Phantom profit
- Profitability ratios, 217–219
 summary, 221
- Profit and loss ratio, 416
- Profit corporation, 420
- Profit margin (rate of return on sales), 217–218, 226
 equation, 221
 illustration, 217
- Promissory note, 361–362, 374
 illustration, 362
- Property, co-ownership, 414
- Property, plant, and equipment (plant assets // fixed assets), 156, 383, 463–464
 exchanges, 180
- Proprietorship, definition, 10, 25
- Proxy fight, Internet (impact), 421
- Public accounting, 26, 27
- Publicly held corporation, 420, 451
- Purchases
 allowance, 254
 debiting, 239
 discounts, 241–243
 example, 267
 invoice, 254
 usage, 238
 journal, 495, 501
 expansion, 496
 posting, 495
 returns, 240–241, 254
 units, 264
 Purchasing analysis, 22–23
- Q**
- Qwest, financial/accounting problems, 1
- R**
- Rate of return on sales. *See* Profit margin
- Ratios, 226
 analysis, 210, 213–222, 226
 summary, 221–222
- Raw materials, 263
- R&D. *See* Research and development
- Real accounts, 144
 equivalence. *See* Contra asset account
- Real estate, accounting (assistance), 7
- Reasonable assurance, concept, 296
- Receipts, business activity classification, 180
- Receivable accounts, accrual adjustment (illustration), 116
- Receivables, 349. *See also* Accounts receivable
 basis, percentage, 355, 374
 sale, 357
 reasons, 357
- Receiving clerk, responsibility, 22
- Record date, 439, 451
- Recording process
 exercises, 96–100
 financial reporting problem, 100
 illustration, 74, 81–87
 steps, 74–81
- Records, importance (determination), 80
- Redstone Hospitality, control issues, 306
- Regulatory agencies, 4–5
- Relevance, 62
- Reliability, 62
- Rent-Way, Inc., accounting
 example, 31
- Reported data, uses/meaning/limitations, 3
- Report form. *See* Classified balance sheet
- Research and development (R&D) costs, international accounting standards (example), 44
- Residual equity, 12
- Responsibility, establishment, 291–292
- Restrictive endorsement, 299
- Restructuring, changes, 463
- Retained earnings, 12–13, 96, 445–449, 451
 account, net increase (causation), 188
 analysis, illustration, 188
 crediting, 145
 debits/credits, illustration, 448
 decrease, 49, 441
 expense (incurring), 48
 increase, 192
 net income, equivalence, 71
 reduction, dividends (impact), 50
 restrictions, 446, 451
 statement, 52–54, 62, 447–448, 451
 cash dividends, display, 178
 horizontal analysis, 210
 preparation, illustration, 123
- Retiree medical plans, 468–471
- Returned goods, COGS (estimated value), 244–245
- Return on assets (ROA), 218–219, 226
 equation, 221
 illustration, 218
- Return on common stockholder equity, 219, 226
 equation, 221
 illustration, 219
- Returns, ethics, 242
- Revenue accounts
 accrual adjustment, illustration, 116
 credit (increase), 113
 debiting, 145
 debits/credits, impact, 72
 prepayment adjustment, impact, 113
- Revenues, 12, 25. *See also* Unearned revenues
 earned, 108
 expenditures, 395, 407
 impact, 12. *See also* Stockholder equity
 recognition, 106
 GAAP relationship, illustration, 107
 principle, 38, 62, 106, 129
 understatement, 113
- Rhino Foods, Inc., accounting cycle
 completion example, 137
- Risk management, 474–475
- River Oaks Country Club, computers (usage), 148
- Robert Morris Associates, 207
- Rooms division managers, accounting information (usage), 4
- S**
- Safeway, low profit margins, 218
- Salaries, 340
 accounts, adjustment (illustration), 118
 adjustment, nonusage (problems), 118
 expense, account, 68
 payment, 369
 illustration, 86
 wages, interchangeability, 320

- Sales
 basis, 38
 percentage, 354, 374
 discounts, 245–246, 254
 column, 492
 example, 268
 income statement presentation, 171–172
 invoice, 254
 usage, 239
 journals, 488–490, 501
 advantages, 490
 posting, 488–490
 returns/allowances, 244–245
 example, 267
 revenues, 243, 254
 section, 272
 shipping, 264
 taxes, inclusion, 385
 terms, illustration, 265
- Sales and real estate taxes payable, 12
- Sales taxes payable, 368–369
- Salomon Brothers, overbidding, 8
- Salvage value (residual value), 387, 407
 demonstration problem, 404–405
 ignoring, 391
- Savings plans, 468–471
- Scams. *See* Fraud
- S-corporation, 423
- Securities and Exchange Commission (SEC), 8–9, 25, 32
- Selling expenses, 174, 198
- Service company, operating cycles, 236
- Service revenue
 account, 68
 credit, 152
- Services
 cash rendering, transaction, 47, 48
 common stock, issuance, 431
- Services, credit rendering (transaction), 48
- Shareholder equity, 424
- Shares, repurchase, 433
- Short-term creditor, 206
- Short-term investments, 155
- Short-term notes receivable, 364
- Signature card, signing, 302
- Simple entry, 96
- Single-step income statement, 174–175, 198
 data classification, 174
 illustration, 174
- Six Continents, checks (receiving), 299
- Small stock dividend, 442
- Social Security taxes, 325
- Sole proprietorships, 412–413, 451
 exercises, 452–453
 Web exploration, 453
- Solvency ratios, 220–221, 226
 summary, 222
- Spa industry, accounts (uniform system), 16
- Spas, athletic package, 24
- Special journal, 487, 501
 transactions, nonrecording, 488
- Specific identification method, 285
- Standard & Poor's, 207
- Starwood Hotels and Resorts
 Worldwide, Inc.
 inventory report, 263
 stocks, par value, 428
- Stated value, 428, 451. *See also* No-par value stocks
- Statement analysis, 282, 283
- Statement presentation, 112, 282–283
- State sales tax laws, tax collection, 368
- State unemployment tax acts (SUTAs), 337
- State unemployment taxes, 340
- Stephanie's Gourmet Coffee and More
 cash register
 reconciliation, 295
 tape, usage, 293
 money, control, 289
 questions, 310
- Stock-based compensation, 466–468
- Stock dividends, 441–442, 451. *See also* Large stock dividend; Small stock dividend
 entries, 442–443
 fair market value per share, 442
 impact, 443
 impact, illustration, 443
 par/stated value per share, 442
- Stockholder equity, 11–13, 25, 424
 decrease, 440
 illustration, 158
 increase. *See* Total stockholder equity
 revenue, impact, 47
 increase/decrease, 13
 overstatement, 118
 relationships, 72–73
 illustration, 73
 subdivisions, 70–72
 treasury stock, absence (illustration), 433
- Stockholders
 cash investment, illustration, 82
 investments, transaction, 46
 limited liability, 420
 ownership rights, 425–426
 shares, transfer, 10
- Stockholders, profitability/solvency (interest), 206
- Stock issue considerations, 426–429
- Stock option plans, 324
- Stocks
 certificate, 426
 issuance, 427
 issue, underwriting, 427
 market value, 427–428
 ownership, proof, 426
 par value, nonfactor, 431
 splits, 443–444, 451
 journalization, nonnecessity, 444
 splits, stock dividends (contrast), 444
 transactions, corporate form, 420–432
- Storeroom clerk, responsibility, 22
- Straight-line depreciation, 388–389, 407
 demonstration problem, 405–406
 formula, illustration, 389
 schedule, illustration, 389
- Subsidiary ledger, 501
 advantages, 486
 example, 485–486
 expansion, 484–487
 nature/purpose, 484–485
 technology, usage, 486
- Subsidiary ledgers
 exercises, 501–503
 Web exploration, 503
- Sums-of-years'-digits depreciation, 388, 392, 407
 schedule, illustration, 392
- Sunbeam Corporation, accounting
 example, 31
- Sundry accounts, 492
- Sun International, shares repurchase, 433
- Supplemental retirement, providing, 325
- Supplies
 accounts, adjustment (illustration), 110
 usage, 109–110
- Supplies purchase (on credit)
 illustration, 84
 transaction, 47
- Sweden, accounting (consideration), 33
- Sysco Corporation
 per share dividend per quarter, 438
 stock splits, 444
- T**
- Tabular summary, account form (comparison), 69
- T account, 68–69, 96
 form, 78–79, 147
- Taxation, 27
 quarterly reporting, 228
- Tax Equity and Fiscal Responsibility Act (TEFRA), 331, 340
- Taxing authorities, 4
- Technology
 future, 93
 usage, 221
- TEFRA. *See* Tax Equity and Fiscal Responsibility Act
- Temporary accounts, 144. *See also* General ledger
 double-ruling, 149
 permanent accounts, contrast, 145
 usage, 147, 268
- Tennis, athletic package, 24
- Tiffany & Co., high profit margins, 218

- Time card, 322
 Timekeeping, internal control (importance), 321–323
 Time lags, 305
 Time period
 assumption, 37, 62, 129
 selection. *See* Accounting
 Times interest earned (interest coverage), 220–221, 226
 equation, 222
 illustration, 221
 Timing, issues. *See* Account adjustments
 Tipped employees, 330–331
 Tip reporting, 331, 333
 To insure prompt service (TIPS), 330
 Total assets, 12
 base, 210
 computation, 46
 decrease, 440
 equity, increase, 435
 long-term assets, percentage (relationship), 382
 Total cost, expiration, 112
 Total debit/credit balances, equality (proof), 122
 Total paid-in capital, impact, 444
 Total revenue
 fringe benefits, percentage, 319
 payroll, percentage, 319
 Total stockholder equity
 increase, 435
 stability, 443
 Total wages, computation, 324
 Trademarks/trade names, 402, 407
 Trade receivables, 374
 description, 355
 Trading on the equity. *See* Equity
 Transactions, 44–51, 62. *See also*
 External transactions; Internal transactions
 analysis, 45–50
 purpose, 81
 examples, 46–50
 identification process, 45
 recording, 89. *See also* Merchandise summary, 50–51
 Transfers in/out, 270–271
 Transposition error, 91
 Treasury stock, 451
 above cost sale, 434–435
 accounting, 432–437
 accounts, illustration, 435
 below cost sale, 435–436
 disposal, 434–436
 purchase, 433–434
 Trial balance, 14, 88–91, 96. *See also*
 Adjusted trial balance; Postclosing trial balance
 checkpoint, 89
 columns, 249
 illustration, 90, 108
 limitations, 89–91
 preparation, 142. *See also* Work sheet procedure, 91
 purpose, 88, 150
 usage, 88
- U**
 UAL. *See* United Airlines, Inc.
 Uncollectible accounts
 allowance method, 351–357
 direct write-off method, 350–351
 recovery, 353
 write-off
 general ledger balances, 353
 recording, 352–353
 Uncollectible accounts receivable, estimation, 351
 Uncollectibles
 estimation, 351
 bases, comparison, 354
 recording. *See* Estimated collectibles
 Unearned revenues (deferred revenues), 112–113, 129
 accounts, adjustment (illustration), 126
 adjusting entry
 illustration, 113
 impact, 113
 adjustment type, 120
 alternative treatment, 124–128
 earning process, 126–127
 recording, 127
 usage, 371
 Unexpired costs, 39. *See also* Book value
 Uniform System of Accounts for Restaurants, 16, 25
 Uniform System of Accounts for Smaller Hotels, 16
 Uniform System of Accounts for the Lodging Industry (Uniform System of Accounts for Hotels), 16, 25
 Uniform System of Financial Reporting for Clubs, 16, 25
 Uniform System of Financial Reporting for Spas, 16
 Unit cost. *See* Weighted-average unit cost
 United Airlines, Inc. (UAL)
 balance sheet, illustration, 155, 157
 receipts, treatment, 112
 unearned ticket revenue, 371
 Units-of-activity depreciation (units-of-production method), 388, 389–391, 407
 formula, illustration, 390
 schedule, illustration, 390
 Units only inventory system. *See* Perpetual units only inventory system
 U.S. Commerce Department, monthly inventory data (publication), 262–263
 U.S. Office of Personnel Management, 323
 U.S. Patent Office, 156
 Useful life, 129, 387, 407
 expenditures, 395–396
- V**
 Venetian, expansion project, 395
 Vertical analysis, 207, 210–213, 226
 Visa
 A/R billing/collecting, 357
 cash sales, 358
 national credit cards, offering, 358
 Voucher, 312
 register, 301
 system, 300–301, 312
- W**
 W-2 form. *See* Wage and Tax Statement
 W-4 form. *See* Employee's Withholding Allowance Certificate
 Wage and Tax Statement (Form W-2 // W-2 form), 338, 340
 Wages, 320, 340
 computation. *See* Total wages
 interchangeability. *See* Salaries payment, 369
 Wages payable, 12
 Wal-Mart
 low profit margins, 218
 rules, control, 233
 Walt Disney Productions
 balance sheet, 156
 calendar year, 105
 checks, receiving, 299
 inventory disclosures, illustration, 283
 property, disposition, 420
 stocks, par value, 428
 Walton, Sam, 78, 146
 Waste Management Company, financial records (problems), 81
 Weighted-average unit cost, 277
 formula, illustration, 277
 Weighted ratio, obtaining, 333
 Whirlpool, working capital (absence), 214
 Withholding taxes, 369
 table, 326
 Work, division, 292
 Working capital
 definition, 214
 ratio, 214
 Work in process, 263
 Work sheet
 accounting record, nonpermanency, 138
 adjustments, entry, 139–140

518 Index

completion, 140–141
columns, balancing, 141
financial statements, inequivalence,
141
form/procedure, illustration, 139
income statement columns,
revenue/expense account data
(location), 145
nondistribution, 141
preparation, steps, 138–141
statement columns, totaling, 140–141
trial balance, preparation, 139

usage, 138–144. *See also* Adjusting
entries; Financial statements;
Merchandise
option, 138
WorldCom
accounting fraud, 396
company acquisitions, 8
financial/accounting problems, 1

X

Xerox, financial/accounting problems, 1

Y

Yahoo!, Inc.
balance sheet, 155
usage, 205
Year-ends, selection (timing), 54
Yield analysis, 22–23

Z

Zero balance, producing, 145