Table of Contents

Chapter One: Welcome to the World of Accounting

- Accounting Information 1
- The Accounting Profession and Careers 3
 - The Accounting Equation 4
- How Transactions Impact the Accounting Equation 5
 - The Four Core Financial Statements 8

Chapter Two: Information Processing

- Accounts, Debits and Credits 25
 - The Journal 29
 - The General Ledger 31
 - The Trial Balance 33
- Computerized Processing Systems 36
 - T-Accounts 37

Chapter Three: Income Measurement

- "Measurement Triggering" Transactions and Events 57
 - The Periodicity Assumption 58
 - Basic Elements of Revenue Recognition 59
 - Basic Elements of Expense Recognition 60
 - The Adjusting Process and Related Entries 60
 - Accrual Versus Cash-Basis Accounting 69

Chapter Four: The Reporting Cycle

- Preparing Financial Statements 89
- The Accounting Cycle and Closing Process 95
 - Reversing Entries 98
 - Classified Balance Sheets 100
- Business Liquidity and the Operating Cycle 103

Chapter Five: Special Issues for Merchants

Merchandising Operation -- Sales 121

Purchase Considerations for Merchandising Businesses 125

Alternative Inventory System 135

Income Statement Enhancements 136

The Control Structure 139

Chapter Six: Cash and Highly-Liquid Investments

Cash Composition 157

Cash Management 158

Bank Reconciliation 159

Petty Cash 164

Short-Term Investments 166

Chapter Seven: Accounts Receivable

The Cost and Benefits of Selling on Credit 179

Accounting for Uncollectible Receivables 180

Alternative Approaches for Uncollectibles 182

Notes Receivable 186

Chapter Eight: Inventory

The Components of Inventory 203

Inventory Costing Methods 204

Perpetual Inventory Systems 210

Lower of Cost or Net Realizable Value 214

Inventory Estimation Techniques 215

Inventory Management 216

Chapter Nine: Long-Term Investments

Nature and Intent-Based Accounting 233

Debt Securities 234

Held-to-Maturity Securities 238

Equity Securities 243

Investments Requiring Consolidation 244

Chapter Ten: Property, Plant, & Equipment

What Costs are Included in Property, Plant, & Equipment? 263

Service Life and Cost Allocation 266

Depreciation Concepts 266

Depreciation Methods 269

Tax Laws 273

Equipment Leases 274

Chapter Eleven: Advanced PP&E Issues/Natural Resources/Intangibles

Costs Subsequent to Asset Acquisition 285

Disposal of PP&E 286

Accounting for Asset Exchanges 287

Asset Impairment 289

Natural Resources 289

Intangibles 290

Chapter Twelve: Current Liabilities and Employer Obligations

Current Liabilities 301

Notes Payable 303

Contingent Liabilities 306

Payroll 308

Other Components of Employee Compensation 311

Chapter Thirteen: Long-Term Obligations

- Long-Term Notes 323
 - Bonds Payable 328
- Accounting for Bonds Payable 330
- Effective-Interest Amortization Methods 335
- Bonds Issued Between Interest Dates, Bond Retirements, and Fair Value 337
 - Analysis, Commitments, and Leases 339

Chapter Fourteen: Corporate Equity Accounting

- The Corporate Form of Organization 351
 - Common and Preferred Stock 353
 - Treasury Stock 356
 - Stock Splits and Stock Dividends 358
 - Statement of Stockholders' Equity 359

Chapter Fifteen: Financial Reporting and Concepts

- Special Reporting Situations 373
- Earnings Per Share and Other Indicators 377
- Objectives and Qualities of Accounting Information 382
 - Development of GAAP 383
 - Key Assumptions 384
 - Issues in Global Commerce 385

Chapter Sixteen: Financial Analysis and the Statement of Cash Flows

- Financial Statement Analysis 401
- Cash Flow and the Statement of Cash Flows 406
- Direct Approach to the Statement of Cash Flows 407
- Indirect Approach to Presenting Operating Activities 413
- Using a Worksheet to Prepare a Statement of Cash Flows 414
 - Solutions Appendix 433
 - Glossary 437
 - Index 453