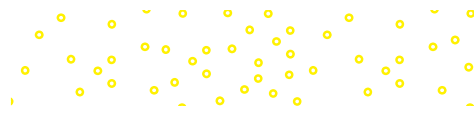
A low-angle photograph of a rock climber silhouetted against a clear blue sky. The climber is positioned in the upper left, hanging from a rock overhang. The rock face is dark and textured, dominating the right and bottom portions of the frame. The overall color palette is dominated by the blue of the sky and the dark tones of the rock.

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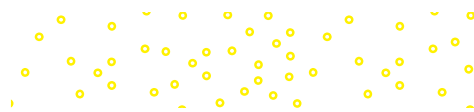
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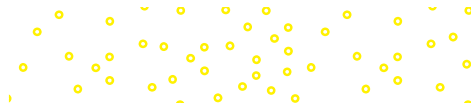
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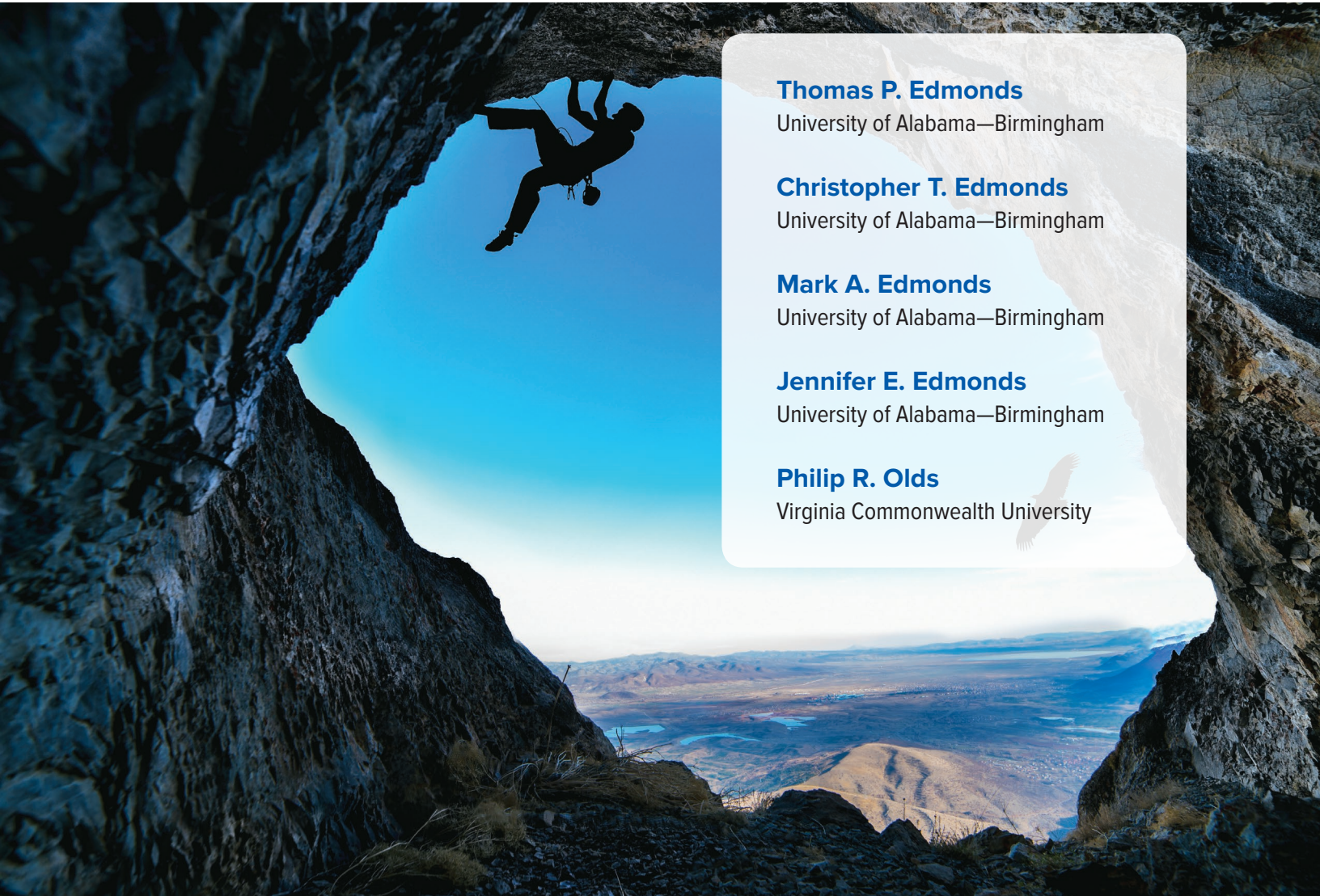
Survey of Accounting





sixth edition

Survey of Accounting



Thomas P. Edmonds

University of Alabama—Birmingham

Christopher T. Edmonds

University of Alabama—Birmingham

Mark A. Edmonds

University of Alabama—Birmingham

Jennifer E. Edmonds

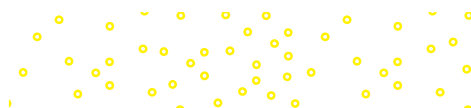
University of Alabama—Birmingham

Philip R. Olds

Virginia Commonwealth University



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SURVEY OF ACCOUNTING, SIXTH EDITION

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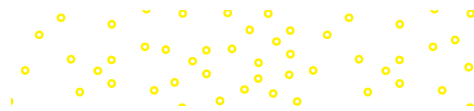
ISBN 978-1-260-24777-0 (bound edition)
MIHD 1-260-24777-5 (bound edition)
ISBN 978-1-260-70443-3 (loose-leaf edition)
MHID 1-260-70443-2 (loose-leaf edition)

Managing Director: *Tim Vertovec*
Marketing Director: *Natalie King*
Executive Portfolio Manager: *Steven Schuetz*
Product Developers: *Erin Quinones, Danielle McLimore*
Content Project Managers: *Jill Eccher/Brian Nacik*
Buyer: *Laura M. Fuller*
Design: *Matt Diamond*
Content Licensing Specialists: *Melissa Homer*
Cover Image: © *bybostanci/Getty Images*
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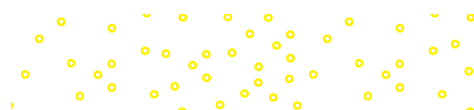
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Library of Congress Cataloging-in-Publication Data

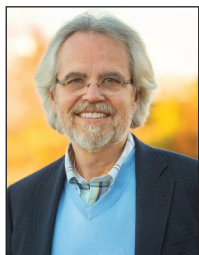
Names: Edmonds, Thomas P., author.
Title: Survey of accounting / Thomas P. Edmonds, University of Alabama-Birmingham, Christopher T. Edmonds, University of Alabama-Birmingham, Philip R. Olds, Virginia Commonwealth University, Frances M. McNair, Mississippi State University, Bor-Yi Tsay, Kennesaw State University.
Description: Sixth edition. | New York, NY : McGraw-Hill Education, [2021] | Includes index.
Identifiers: LCCN 2019030775 (print) | LCCN 2019030776 (ebook) | ISBN 9781260247770 (hardcover) | ISBN 9781260704433 (spiral bound) | ISBN 9781260361643 (ebook) | ISBN 9781260704488 (ebook other)
Subjects: LCSH: Accounting.
Classification: LCC HF5636 .S97 2021 (print) | LCC HF5636 (ebook) | DDC 657—dc23
LC record available at <https://lcn.loc.gov/2019030775>
LC ebook record available at <https://lcn.loc.gov/2019030776>



This book is dedicated to our students, whose questions have so frequently caused us to reevaluate our method of presentation that they have, in fact, become major contributors to the development of this text.



ABOUT THE AUTHORS



Courtesy of Thomas Edmonds

Thomas P. Edmonds

Thomas P. Edmonds, Ph.D., is Professor Emeritus in the Department of Accounting at the University of Alabama at Birmingham (UAB). He has been actively involved in teaching accounting principles throughout his academic career. Dr. Edmonds has coordinated the accounting principles courses at the University of Houston and UAB. He has taught introductory accounting in mass sections and in distance learning programs. He has received five prestigious teaching awards, including the Alabama Society of CPAs Outstanding Educator Award, the UAB President's Excellence in Teaching Award, and the distinguished Ellen Gregg Ingalls Award for excellence in classroom teaching. He has written numerous articles that have appeared in many publications, including *Issues in Accounting*, the *Journal of Accounting Education*, *Advances in Accounting Education*, *Accounting Education: A Journal of Theory, Practice and Research*, the *Accounting Review*, *Advances in Accounting*, the *Journal of Accountancy*, *Management Accounting*, the *Journal of Commercial Bank Lending*, the *Banker's Magazine*, and the *Journal of Accounting, Auditing, and Finance*. Dr. Edmonds has served as a member of the editorial board for *Advances in Accounting: Teaching and Curriculum Innovations* and *Issues in Accounting Education*. He has published five textbooks, five practice problems (including two computerized problems), and a variety of supplemental materials including study guides, work papers, and solutions manuals. Dr. Edmonds's writing is influenced by a wide range of business experience. He is a successful entrepreneur. He has worked as a management accountant for Refrigerated Transport, a trucking company. Dr. Edmonds also worked in the not-for-profit sector as a commercial lending officer for the Federal Home Loan Bank. In addition, he has acted as a consultant to major corporations, including First City Bank of Houston (now Citi Bank), AmSouth Bank in Birmingham (now Regions Bank), Texaco, and Cortland Chemicals. Dr. Edmonds began his academic training at Young Harris Community College in Young Harris, Georgia. He received a B.B.A. degree with a major in finance from Georgia State University in Atlanta, Georgia. He obtained an M.B.A. degree with a concentration in finance from St. Mary's University in San Antonio, Texas. His Ph.D. degree with a major in accounting was awarded by Georgia State University. Dr. Edmonds's work experience and academic training have enabled him to bring a unique user perspective to this textbook.



Courtesy of Christopher Edmonds

Christopher T. Edmonds

Christopher T. Edmonds, PhD, is an Associate Professor in the Department of Accounting and Finance at the UAB Collat School of Business. He is the course coordinator for the face-to-face and online principles of accounting courses. Dr. Edmonds specializes in teaching and developing engaging face-to-face and online introductory accounting courses. He is a frequent speaker at conferences and universities on best teaching practices and has delivered over 25 professional teaching workshops. His passion for helping students learn inspired him to create hundreds of short videos teaching the fundamental concepts of accounting. This work led to the publication of the first interactive video textbook for introductory accounting. Dr. Edmonds has received seven prestigious teaching awards including the UAB President's Outstanding Teaching Award, UAB Faculty Student Success Award, UAB Transformative Online Course Award, UAB Loudell Ellis Robinson Classroom Teaching Award, UAB Disability Support Recognition Award, and the Virginia Tech Favorite Faculty Award. He has published four textbooks and has written numerous articles that have appeared in publications, including *The Accounting Review*, *Journal of Accounting and Public Policy*, *Issues in Accounting Education*, *Advances in Accounting Education*, *Advances in Accounting*, and *Review of Quantitative Finance and Accounting*. He currently serves on several editorial boards. Dr. Edmonds started his career as a web application developer creating software

solutions to put newspapers online. He began his academic training at Colorado State University. He obtained an MBA from UAB. His PhD with a major in accounting was awarded by Virginia Polytechnic Institute and State University. Check out his blog at www.accountingstepbystep.com.

Mark A. Edmonds

Mark A. Edmonds, Ph.D., CPA, is an Assistant Professor in the Department of Accounting and Finance at the University of Alabama at Birmingham. He has taught principles and advanced accounting classes in face-to-face, flipped, and online formats. He is the recipient of the Loudell Ellis Robinson excellence in teaching award. Dr. Edmonds began his career providing assurance services for the internationally recognized accounting firm Ernst & Young. At the conclusion of his professional service, he obtained his Ph.D. from Southern Illinois University Carbondale. He serves as the education adviser on the board of the Institute of Internal Auditors Birmingham Chapter. Dr. Edmonds's research focuses on alternative learning strategies and auditor decision making.



Courtesy of Mark Edmonds

Jennifer E. Edmonds

Jennifer Echols Edmonds, Ph.D., is an Associate Professor at the University of Alabama at Birmingham (UAB) Collat School of Business. Her primary teaching areas are financial and managerial accounting. She has experience teaching in the Undergraduate, MAC, and MBA programs and currently serves as the course coordinator for the managerial accounting sequence at UAB. She has received the UAB Loudell Ellis Robinson Classroom Teaching Award, as well as teaching grants from Deloitte, UAB, and Virginia Tech. She created teaching resources for incorporating International Financial Reporting Standards into Intermediate Accounting. The teaching resources were published online at the American Accounting Association. Dr. Edmonds is also active in the research community. She has published articles in prominent journals such as *Journal of Accounting and Public Policy*, *Advances in Accounting*, *Research in Accounting Regulation*, and *The CPA Journal*. Dr. Edmonds received a bachelor's degree in accounting from Birmingham-Southern College and completed her master's and Ph.D. degrees in accounting at Virginia Polytechnic Institute and State University.



Courtesy of Jennifer Edmonds

Philip R. Olds

Professor Olds is Associate Professor of Accounting at Virginia Commonwealth University (VCU). He serves as the coordinator of the introduction to accounting courses at VCU. Professor Olds received his A.S. degree from Brunswick Junior College in Brunswick, Georgia (now Coastal Georgia College). He received a B.B.A. in accounting from Georgia Southern College (now Georgia Southern University), and his M.P.A. and Ph.D. degrees are from Georgia State University. After graduating from Georgia Southern, he worked as an auditor with the U.S. Department of Labor in Atlanta, Georgia. A former CPA in Virginia, Professor Olds has published articles in various professional journals and presented papers at national and regional conferences. He also served as the faculty adviser to the VCU chapter of Beta Alpha Psi for five years. In 1989, he was recognized with an Outstanding Faculty Vice-President Award by the national Beta Alpha Psi organization. Professor Olds has received both the Distinguished Teaching Award and the Distinguished Service Award from the VCU School of Business. Most recently, he received the university's award for maintaining High Ethical and Academic Standards While Advocating for Student-Athletes and Their Quest Towards a Degree.



Courtesy of Philip Olds

NOTE FROM THE AUTHORS



McGraw Hill connect

● SET B EXERCISES AND PROBLEMS NOW AVAILABLE

What's new? We have added an additional set of exercises and problems to the end-of-chapter materials. Now you can work on your favorite exercises and problems in class and then assign mirror image exercises and problems for homework. The new Set B is available through the *Connect* website. It is designed to maximize usefulness in multiple applications.

As many students choose to adopt the electronic version of textbooks, instructors are beginning to face a situation where students do not have textbooks available in the classroom. Accordingly, working on a particular exercise or problem in class can be frustrating when students do not have access to the exercises and problems. To resolve this issue, we offer a *student version* of the Set B exercises and problems along with **Active Learning Worksheets** as chapter by chapter downloadable Word documents. These documents show each exercise and problem with a corresponding working paper directly below it. Simply download, or have your students download, the Set B exercises, problems, and accompanying Active Learning Worksheets. Students can print out the exercises and problems you assign and bring them to class. An example of the student version of Exercise 1-1B *appears* as follows.

Exercise 1-1B *The role of accounting in society*

LO 1-1

Resource owners provide three types of resources to conversion agents that transform the resources into products or services that satisfy consumer demands.



Required

Identify the three types of resources. Write a brief memo explaining how resource owners select the particular conversion agents to which they will provide resources. Your memo should include answers to the following questions: If you work as a private accountant, what role would you play in the allocation of resources? Which professional certification would be most appropriate to your career?

We also provide an *instructor version* of the Active Learning Worksheets. The instructor version is identical—page for page—to the student version. Organized like the student version, the corresponding solutions are shown directly below each of the Set B exercises and problems. It is no longer necessary to flip back and forth between an exercise in the textbook and the answer shown separately in a solutions manual. Now both the exercise and the solution are together in a single document. The matching of exercises and problems with solutions makes it easy for instructors to toggle between the exercise and the solution when making classroom presentations.

The instructor version of the Active Learning Worksheets is provided in an electronic format using Microsoft Word documents. The active learning sheets provide innovative opportunities to improve classroom presentations. Just open a Word document and display any Set B exercise or problem along with the corresponding solutions. With a couple of keystrokes, the you can hide any portion of a solution. The hidden data can be made to reappear as the instructor discusses the solution. Not only will you avoid the annoying chalk dust, but your students will appreciate a presentation that perfectly matches their.

Since Set B is composed in Microsoft Word you can easily “cut and paste” the materials to customize content for your particular course. Your customized materials can be delivered to students via electronic files or printouts. We also provide a video

to show how easy it is to use these solutions in class. In less than a minute you will learn how to hide and retrieve data from the Set B solutions.

Using Analytics to Improve Video Quality

We know that there are a lot of videos out there, but all videos are not equal. In order for a video to be successful, students must watch it. If students stop watching in the early stages of a video, you know that they are not getting the content exposure they need and you can rest assured that failure is just around the corner. Based on this rationale, we have implemented a continuous quality improvement program for the videos that accompany our texts. Specifically, we analyze drop and finish rates to determine which videos are working and which ones are not. A typical analytical report is shown here:

4. Received \$85,000 cash from earning revenue.
 5. Paid \$50,000 cash for expenses.
 6. Paid \$4,000 of cash dividends to the owners.
 7. The market value of the land was appraised at \$525,000 on December 31, Year 1.

Event	Balance Sheet						Income Statement		Statement of Cash Flows
	Assets		=	Liab.	+	Stockholders' Equity	Exp.	=	Net Inc.
	Cash	+	Land	=	N. Pay.	+ Com. Stk.	+ Ret. Earn.		
Beg.	0	+	0	=	0	+	0	+	0
1.	110,000	+		=		+	110,000	+	
2.	(100,000)	+		=		+		+	
3.	(500,000)	+	500,000	=		+		+	
4.	85,000	+		=		+	85,000	+	
5.	(50,000)	+		=		+	(50,000)	+	

96% Watched 04:15

This report shows that the video kept 96 percent of students tuned-in at the halfway point and 85 percent of students completed the entire video. While there is always room for improvement, this video produced a high-quality result. We completed an extensive analysis of all Survey 5e videos and replaced select videos that had a finish rate of less than 80 percent. The results of this analysis lead us to create new and/or improved videos for learning objectives 1-1, 3-1, 3-2, 3-3, 3-4, 3-5, 3-7, 5-1, 5-2, 5-3, 6-1, 6-5, and 6-7.

If you have questions or comments regarding the new Set B exercises and problems, please contact Mark Edmonds at medmonds@gmail.com.

If you have questions or comments regarding the lecture videos, please contact Chris Edmonds at cedmonds@gmail.com.

HOW DOES EDMONDS

The Curious Accountant

General Dynamics Corporation is an aerospace and defense company that provides both products and services in business aviation; combat vehicles, weapons systems, and munitions; shipbuilding; and communications and information technology. Its products include Gulfstream business jet airplanes. Its largest customer is the U.S. Government. In 2017, 61 percent of its revenue came from sales to the U.S. government, and another 11 percent came from sales to governments of other countries. The remaining 28 percent of its revenues were from commercial customers.

Suppose the U.S. government contracted with General Dynamics to purchase four Gulfstream airplanes at a total cost of \$200 million. Assume the government offers to pay for the airplanes the day they are delivered (a cash purchase) or 30 days later (a purchase on account). Assume that General Dynamics is absolutely sure the government will pay its account when due.

Do you think the company should care whether the government pays for the services upon delivery or 30 days later? Why? (Answer on page 165.)



idp geneva collection/Alamy Stock Photo

Answers to The Curious Accountant

General Dynamics would definitely prefer to make the sale to the government in cash rather than on account. Even though it may be certain to collect its accounts receivable, the sooner the company gets its cash, the sooner the cash can be reinvested.

The interest cost related to a small accounts receivable of \$50 that takes 40 days to collect may seem immaterial. At 3 percent, the lost interest amounts to \$.16. However, when one considers that General Dynamics had approximately \$3.6 billion of accounts receivable on December 31, 2017, and took an average of 43 days to collect them, the cost of financing receivables for a real-world company becomes apparent. At 3 percent, the cost of waiting 43 days to collect \$3.6 billion of cash is \$12.7 million ($\$3.6 \text{ billion} \times .03 \times 43/365$). For a full year, the cost to General Dynamics would be \$108 million ($\$3.6 \text{ billion} \times .03$). In 2017, the weighted-average interest rate on General Dynamic's debt was approximately 2.6 percent.

General Dynamics

FOCUS ON INTERNATIONAL ISSUES

LIFO IN OTHER COUNTRIES

This chapter introduced a rather strange inventory cost flow assumption called LIFO. As explained, the primary advantage of LIFO is to reduce a company's income taxes. Given the choice, companies that use LIFO to reduce their taxes would probably prefer to use another method when preparing their GAAP-based financial statements, but the IRS does not permit this. Thus, they are left with no choice but to use the seemingly counterintuitive LIFO assumption for GAAP as well as tax reporting.

What happens in countries other than the United States? International Financial Reporting Standards (IFRS) do not allow the use of LIFO. Most industrialized nations are now using IFRS. You can see the impact of this disparity if you review the annual report of a U.S. company that uses LIFO and has significant operations in other countries. Very often it will explain that LIFO is used to calculate inventory (and cost of goods sold) for domestic operations, but another method is used for activities outside the United States.

For example, here is an excerpt from **General Electric's** 2017 Form 10-K, Note 1.

*All inventories are stated at the lower of cost or realizable values. Cost for a significant portion of GE U.S. inventories is determined on a last-in, first-out (LIFO) basis. Cost of other GE inventories is determined on a first-in, first-out (FIFO) basis. LIFO was used for 34% and 32% of GE inventories at December 31, 2017 and 2016, respectively.**

If the company has its headquarters in the United States, why not simply use LIFO in its foreign operations? In addition to having to prepare financial statements for the United States, the company probably has to prepare statements for its local operations using the reporting standards of the local country.

Prior to the establishment of IFRS each country was responsible for issuing its own, local GAAP. Even then, most countries did not allow for the use of LIFO.

*2017. General Electric Company Form 10-K. General Electric Company.



Wong lei-imagnechina/AP Images

Real-World Examples

The text provides a variety of thought-provoking, real-world examples of financial and managerial accounting as an essential part of the management process. The names of the real-world companies used in these examples are highlighted in blue font to facilitate their identification.

The Curious Accountant

Each chapter opens with a short vignette that sets the stage and helps pique student interest. These pose a question about a real-world accounting issue related to the topic of the chapter. The answer to the question appears in a separate sidebar a few pages further into the chapter.

Focus on International Issues

These boxed inserts expose students to international issues in accounting.

"The Curious Accountant and Real-World Examples, all make the text better and would make it a pleasure to teach from."

VIVIAN WINSTON, INDIANA UNIVERSITY

MOTIVATE STUDENTS?

Check Yourself

These short question/answer features occur at the end of each main topic and ask students to stop and think about the material just covered. The answer follows to provide immediate feedback before students go on to a new topic.

Reality Bytes

This feature provides examples or expansions of the topics presented by highlighting companies and showing how they use the accounting concepts discussed in the chapter to make business decisions.

A Look Back/A Look Forward

Students need a roadmap to make sense of where the chapter topics fit into the whole picture. A Look Back reviews the chapter material, and a Look Forward introduces new material to come in the next chapter.



CHECK YOURSELF 2.1

During Year 1, Anwar Company earned \$345,000 of revenue on account and collected \$320,000 cash from accounts receivable. Anwar paid cash expenses of \$300,000 and cash dividends of \$12,000. Determine the amount of net income Anwar should report on the Year 1 income statement and the amount of cash flow from operating activities Anwar should report on the Year 1 statement of cash flows.

Answer Net income is \$45,000 (\$345,000 revenue — \$300,000 expenses). The cash flow from operating activities is \$20,000, the amount of revenue collected in cash from customers (accounts receivable) minus the cash paid for expenses (\$320,000 — \$300,000). Dividend payments are classified as financing activities and do not affect the determination of either net income or cash flow from operating activities.

REALITY BYTES

Good inventory management is essential for merchandising and manufacturing companies. Even if a company uses a perpetual inventory system, the amount of inventory believed to be on hand may be incorrect because of lost, damaged, or stolen goods, so a physical count is still required. Unfortunately, counting inventory is not a revenue-generating activity. If a company's employees are used to conduct the physical count, it takes time that may be better used for other activities. In fact, it may be so time-consuming that the business must close temporarily so employees will have the time to complete the inventory count.

To avoid this problem many businesses hire outside companies to count their inventory. These outside vendors can bring in a large crew of specially trained workers and complete a count very quickly. There are many companies that provide inventory counting services, but **RIGIS, LLC** claims to be the world's largest. RIGIS reports that its 34,000 employees have counted over 400 billion items in the more than 4 million inventory counts it has conducted since beginning operations in 1958. On second thought, counting inventory is a revenue-producing activity if you are a company that counts inventory for others.



Digital Vision/Photodisc/Getty Images



A Look Back

Financial statement analysis involves many factors, among them user characteristics, information needs for particular types of decisions, and how financial information is analyzed. Analytical techniques include *horizontal*, *vertical*, and *ratio analysis*. Users commonly calculate ratios to measure a company's liquidity, solvency, and profitability. The specific ratios presented in this chapter are summarized in Exhibit 9.6. Although ratios are easy to calculate and provide useful insights into business operations, when interpreting analytical results, users should consider limitations resulting from differing industry characteristics, differing economic conditions, and the fundamental accounting principles used to produce reported financial information.



A Look Forward

This chapter concludes the financial accounting portion of the text. Beginning with Chapter 10, we introduce various topics related to managerial accounting. Managerial accounting focuses on meeting the accounting information needs of decision makers inside, rather than outside, a company. In addition to financial statement data, inside users require detailed, forward-looking information that includes nonfinancial as well as financial components. We begin with a chapter that discusses the value management accounting adds to the decision-making process.

“The Reality Bytes and Check Yourself sections in the chapters enhance the presentation.”

ROBERT PATTERSON, PENN STATE-ERIE

“I like the Check Yourself examples.”

BRUCE DARLING, UNIVERSITY OF OREGON

HOW ARE CHAPTER CONCEPTS

Regardless of the instructional approach, there is no shortcut to learning accounting. Students must practice to master basic accounting concepts. The text includes a prodigious supply of practice materials and exercises and problems.



Video lectures and accompanying self-assessment quizzes are available in *Connect* for all learning objectives.



SELF-STUDY REVIEW PROBLEM

During Year 2, Rustic Camp Sites experienced the following transactions:

1. RCS acquired \$32,000 cash by issuing common stock.
2. RCS received \$116,000 cash for providing services to customers (leasing campsites).
3. RCS paid \$13,000 cash for salaries expense.
4. RCS paid a \$9,000 cash dividend to the owners.
5. RCS sold land that had cost \$100,000 for \$100,000 cash.
6. RCS paid \$47,000 cash for other operating expenses.

Required

- a. Record the transaction data in a horizontal financial statements model like the following one. In the Cash Flow column, classify the cash flows as operating activities (OA), investing activities (IA), or financing activities (FA). The beginning balances have been recorded as an example. They are the ending balances shown on RCS's December 31, Year 1, financial statements illustrated in the chapter. Note that the revenue and expense accounts have a zero beginning balance. Amounts in these accounts apply only to a single accounting period. Revenue and expense account balances are not carried forward from one accounting period to the next.

Self-Study Review Problem

These sections offer problems and solutions of major chapter concepts.

LO 2-1, 2-2, 2-5, 2-6, 2-7

Problem 2-33A Effect of adjusting entries on the accounting equation

CHECK FIGURE

- b. adjustment amount: \$2,700

Required

Each of the following independent events requires a year-end adjusting entry. Show how each event and its related adjusting entry affect the accounting equation. Assume a December 31 closing date. The first event is recorded as an example.

Event/ Adjustment	Total Assets				Stockholders' Equity	
	Cash	+ Other Assets	=	Liabilities	+ Common Stock	+ Retained Earnings
a	-4,800	+4,800		NA	NA	
Adj.	NA	-1,200		NA	NA	-1,200

- a. Paid \$4,800 cash in advance on October 1 for a one-year insurance policy.
- b. Received a \$3,600 cash advance for a contract to provide services in the future. The contract required a one-year commitment, starting April 1.
- c. Purchased \$1,200 of supplies on account. At year's end, \$175 of supplies remained on hand.
- d. Paid \$9,600 cash in advance on August 1 for a one-year lease on office space.

LO 2-4, 2-8



CHECK FIGURES

Net Income: \$3,100
Ending Retained Earnings: \$15,300

Problem 2-34A Closing the accounts

The following selected accounts and account balances were taken from the records of Nowell Company. Except as otherwise indicated, all balances are as of December 31, Year 2, before the closing entries were recorded.

Consulting revenue	\$18,200
Cash	35,600
Cash received from common stock issued during Year 1	6,000
Travel expense	2,100
Dividends	4,000
Cash flow from investing activities	5,200
Rent expense	3,500
Payment to reduce debt principal	10,000
Retained earnings, January 1, Year 2	16,200
Salary expense	7,200
Cash flow from operating activities	2,600
Common stock, December 31, Year 2	16,000
Other operating expenses	2,300

Required

- a. Prepare the income statement Nowell would include in its Year 2 annual report.
- b. Identify the accounts that should be closed to the Retained Earnings account.
- c. Determine the Retained Earnings account balance at December 31, Year 2. Identify the reasons for the difference between net income and the ending balance in Retained Earnings.
- d. What are the balances in the Revenue, Expense, and Dividend accounts on January 1, Year 3? Explain.

LO 2-3, 2-5, 2-6, 2-7, 2-8

Problem 2-35A Effect of events on financial statements

Waddell Company had the following balances in its accounting records as of December 31, Year 1:

Assets		Liabilities and St. Equity	
Cash	\$35,000	Accounts Payable	\$ 7,500
Accounts Receivable	9,000	Common Stock	40,000
Land	51,000	Retained Earnings	47,500
Totals	\$95,000		\$95,000

Exercise and Problem Sets

• Check figures

The figures provide a quick reference for students to check on their progress in solving the problem.

REINFORCED?

Analyze, Think, Communicate (ATC)

Each chapter includes an innovative section titled Analyze, Think, Communicate (ATC). This section contains:

- Business application cases related to the annual report for Target Company

- Writing Assignments



- Group Exercises



- Ethics Cases



- Internet Assignments



- Real Company Examples



- Target Corp.

Target Corporation

ANALYZE, THINK, COMMUNICATE

ATC 4-1 Business Application Case Understanding real-world annual reports

Obtain the [Target Corporation's](http://investors.target.com) annual report for its 2018 fiscal year (year ended February 2, 2019) at <http://investors.target.com> using the instructions in Appendix A, and use it to answer the following questions:

Target Corporation

Required

- Instead of "Cash," the company's balance sheet uses the account name "Cash and cash equivalents." How does the company define cash equivalents?
- The annual report has two reports in which management is clearly identified as having responsibility for the company's financial reporting and internal controls. What are the names of these reports and on what pages are they located?

ATC 4-2 Group Assignment Bank reconciliations

The following cash and bank information is available for three companies on June 30:



Cash and Adjustment Information	Peach Co.	Apple Co.	Pear Co.
Unadjusted cash balance per books, 6/30	\$45,620	\$32,450	\$23,467
Outstanding checks	1,345	2,478	2,540
Service charge	50	75	35
Balance per bank statement, 6/30	48,632	37,176	24,894
Credit memo for collection of notes receivable	4,500	5,600	3,800
NSF check	325	145	90
Deposits in transit	2,500	3,200	4,800
Credit memo for interest earned	42	68	12

ATC 4-3 Research Assignment Investigating cash and management issues at Smucker's



Using the most current Form 10-K available on EDGAR, or the company's website, answer the following questions about the [J. M. Smucker Company](http://www.smuckers.com). Instructions for using EDGAR are in Appendix A. *Note: In some years the financial statements, footnotes, etc., portion of Smucker's annual report have been located at the end of the Form 10-K, in or just after "Item 15."*

Required

- Instead of "Cash," the company's balance sheet uses the account name "Cash and cash equivalents." How does the company define cash equivalents?
- The annual report has two reports in which management clearly acknowledges its responsibility for the company's financial reporting and internal controls. What are the names of these reports and on what pages are they located?

ATC 4-4 Writing Assignment Internal control procedures



Sarah Johnson was a trusted employee of Evergreen Trust Bank. She was involved in everything. She worked as a teller, she accounted for the cash at the other teller windows, and she recorded many of the transactions in the accounting records. She was so loyal that she never would take a day off, even when she was really too sick to work. She routinely worked late to see that all the day's work was posted into the accounting records. She would never take even a day's vacation because they might need her at the bank. Adam and Jammie, CPAs, were hired to perform an audit, the first complete audit that had been done in several years. Johnson seemed somewhat upset by the upcoming audit. She said that everything had been properly accounted for and that the audit was a needless expense. When Adam and Jammie examined some of the bank's internal control procedures, it discovered problems. In fact, as the audit progressed, it became apparent that a large amount of cash was missing. Numerous adjustments had been made to customer accounts with credit memorandums, and many of the transactions had been posted several days late. In addition, there were numerous cash payments for "office expenses." When the audit was complete, it was determined that more than \$100,000 of funds was missing or improperly accounted for. All fingers pointed to Johnson. The bank's president, who was a close friend of Johnson, was bewildered. How could this type of thing happen at this bank?

Required

Prepare a written memo to the bank president, outlining the procedures that should be followed to prevent this type of problem in the future.

ATC 4-5 Ethical Dilemma I need just a little extra money



John Riley, a certified public accountant, has worked for the past eight years as a payroll clerk for Southeast Industries, a small furniture manufacturing firm in the Northeast. John recently experienced unfortunate circumstances. His teenage son required major surgery and the medical bills not covered by John's insurance have financially strained John's family.

John works hard and is a model employee. Although he received regular performance raises during his first few years with Southeast, John's wages have not increased in three years. John asked his supervisor, Bill Jameson, for a raise. Bill agreed that John deserved a raise, but told him he could not currently approve one because of sluggish sales.

A disappointed John returned to his duties while the financial pressures in his life continued. Two weeks later, Larry Tyler, an assembly worker at Southwest, quit over a dispute with management. John

"I like the real life examples; I like the Analyze, Think, and Communicate."

DEBBIE GAHR, WAUKESHA COUNTY TECHNICAL COLLEGE

WHAT WE DID TO MAKE IT BETTER!

As discussed in the “Note from the Authors,” this text adds a Set B of exercises and problems. The new Set B is accompanied by **instructor** and student **Active Learning Worksheets**. (For more details refer to the “Note from the Authors.”) This edition also includes new and improved lecture video content. Data analytics were used to identify areas of underperforming video content. As a result, an already high-quality **video textbook** was made even better. (Again, the details are explained more fully in the “Note from the Authors.”)

We also added two new appendices. Appendix C provides the financial statements and other selected data from the annual report of Target Corporation. You no longer have to send your students to the Internet to find the essential elements of the Company’s annual report. Instead, this information is now incorporated directly in the text. Appendix D provides coverage of data analytics including coverage of key features of Tableau big data software. This appendix includes a simple exercise that requires students to use the power of Tableau to solve a business problem.

Finally, we made improvements to the statements model that is used throughout the text. The first row of the model now includes the titles of each statement. This change will improve the students’ ability to identify the particular statements that are affected by accounting events.

The revision also includes many more changes aimed at improving clarity and maintaining currency. A chapter-by-chapter list of these updates is provided as follows.

● CHAPTER-SPECIFIC CHANGES

Chapter 1 An Introduction to Accounting

- Revised *Curious Accountant* 1 & 2 content.
- Revised *Focus on International Issues* text box that includes IFRS coverage.
- New *Reality Bytes* feature.
- Updated exercises, problems, and cases.

Chapter 2 Accounting for Accruals and Deferrals

- Updated *Curious Accountant* content.
- Revised *Reality Bytes* feature.
- Updated Exhibit 2.8 with new real-world data.
- Updated exercises, problems, and cases.

Chapter 3 Accounting for Merchandising Businesses

- Updated *Curious Accountant* content.
- Updated Exhibit 3.1 with new real-world data.
- Updated exercises, problems, and cases.

Chapter 4 Internal Control, Accounting for Cash, and Ethics

- Revised *Curious Accountant* content.
- Updated exercises, problems, and cases.

Chapter 5 Accounting for Receivables and Inventory Cost Flow

- Revised *Curious Accountant* content.
- Revised *Reality Bytes* feature.
- Updated exercises, problems, and cases.

Chapter 6 Accounting for Long-Term Operational Assets

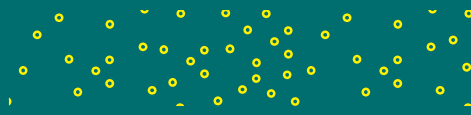
- Updated *Curious Accountant* content.
- Updated Exhibit 6.8 with new real-world data.
- Updated exercises, problems, and cases.

Chapter 7 Accounting for Liabilities

- Revised *Curious Accountant* content.
- Updated *Reality Bytes* feature.
- Updated exercises, problems, and cases.

Chapter 8 Proprietorships, Partnerships, and Corporations

- Revised *Curious Accountant* content.
- Revised *Reality Bytes* feature.
- Updated *Focus on International Issues* text box that includes IFRS coverage.
- Updated exercises, problems, and cases.



Chapter 9 Financial Statement Analysis

- Revised *Curious Accountant* content.
- Updated *Reality Bytes* feature.
- Updated exercises, problems, and cases.

Chapter 10 An Introduction to Management Accounting

- Revised *Curious Accountant* content.
- Updated exercises, problems, and cases.

Chapter 11 Cost Behavior, Operating Leverage, and Profitability Analysis

- Revised *Curious Accountant* content.
- Updated *Reality Bytes* feature.
- Updated exercises, problems, and cases.

Chapter 12 Cost Accumulation, Tracing, and Allocation

- Updated *Reality Bytes* feature.
- Updated exercises, problems, and cases.

Chapter 13 Relevant Information for Special Decisions

- Revised *Curious Accountant* content.
- Updated *Reality Bytes 1* feature.

- New *Reality Bytes 2* feature.
- Updated exercises, problems, and cases.

Chapter 14 Planning for Profit and Cost Control

- Updated *Curious Accountant* content.
- Updated *Reality Bytes* feature.
- Updated *Focus on International Issues* text box that includes IFRS coverage.
- Updated exercises, problems, and cases.

Chapter 15 Performance Evaluation

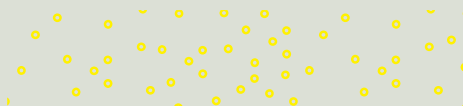
- Revised *Curious Accountant* content.
- Revised *Reality Bytes* feature.
- Updated exercises, problems, and cases.

Chapter 16 Planning for Capital Investments

- Updated *Curious Accountant* content.
- Updated *Reality Bytes* feature.
- Updated exercises, problems, and cases.



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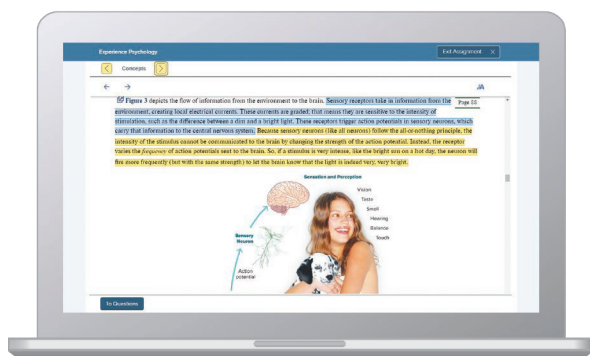
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HOW CAN TECHNOLOGY HELP

connect ACCOUNTING Survey of Accounting 4e: Edmonds: 4e

Chapter 2 Assignment instructions | help

1. VALUE 10.00 points

Atlantic Bank's start-up division establishes new branch banks. Each branch opens with three tellers. Total teller cost per branch is \$95,000 per year. The three tellers combined can process up to 85,000 customer transactions per year. If a branch does not attain a volume of at least 55,000 transactions during its first year of operations, it is closed. If the demand for services exceeds 85,000 transactions, an additional teller is hired, and the branch is transferred from the start-up division to regular operations.

Required:

a. What is the relevant range of activity for new branch banks?

The relevant range is to transactions

b.1. Determine the amount of teller cost in total and the average teller cost per transaction for a branch that processes 55,000, 65,000, 75,000, or 85,000 transactions. (Round "Average per unit" answers to 2 decimal places.)

Online Assignments

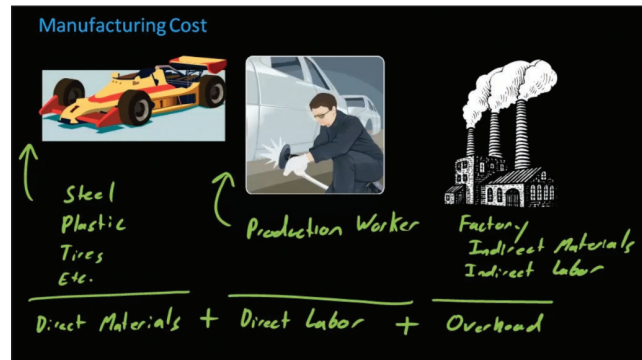
Connect helps students learn more efficiently by providing feedback and practice material when and where they need it. *Connect* grades homework automatically and students benefit from the immediate feedback that they receive, particularly on any questions they may have missed. Also, select questions have been redesigned to test students' knowledge more fully. They now include tables for students to work through rather than requiring that all calculations be done offline.

End-of-chapter questions in *Connect* include:

- Exercises
- Problems
- Multiple-Choice Questions
- Analyze, Think, Communicate

Lecture Videos

One or more lecture videos are available for every learning objective introduced throughout the text. The videos have been developed by a member of the author team and have the touch and feel of a live lecture. The videos are accompanied by a set of self-assessment quizzes. Students can watch the videos and then test themselves to determine if they understand the material presented in the video. Students can repeat the process, switching back and forth between the video and self-assessment quizzes, until they are satisfied that they understand the material.



Cost of Goods Manufactured and Cost of Goods Sold - Excel

Stanford Enterprises uses job-order costing.

1	Stanford Enterprises uses job-order costing.						
2	The allocation base for overhead is direct labor hours.						
3							
4	Data for the year just ended:						
5	Estimated total manufacturing overhead cost			\$ 275,000			
6	Estimated total direct labor hours			25,000			
7	Actual total direct labor hours			27,760			
8							
9	Actual costs for the year:						
10	Purchase of raw materials (all direct)			\$ 375,000			
11	Direct labor cost			\$ 536,300			
12	Manufacturing overhead costs			\$ 302,750			
13							
14	Inventories:						
15	Raw materials (all direct)	Beginning	Ending				
16		\$ 15,000	\$ 11,375				
17	Work in process	\$ 27,875	\$ 22,350				
18	Finished goods	\$ 34,600	\$ 26,450				
19	Use the data to answer the following.						
20							
21	1. Compute applied overhead and determine the amount of underapplied or overapplied overhead:						
22	Actual manufacturing overhead cost			\$ 302,750			

Source: Microsoft Corporation.

Guided Examples

The Guided Examples in *Connect* provide a narrated, animated, step-by-step walk-through of select exercises similar to those assigned. These short presentations can be turned on or off by instructors and provide reinforcement when students need it most.

Excel Simulations

Simulated Excel Questions, assignable within *Connect*, allow students to practice their Excel skills—such as basic formulas and formatting—within the content of survey of accounting. These questions feature animated, narrated Help and Show Me tutorials (when enabled), as well as automatic feedback and grading for both students and professors.

McGraw Hill Education

March 15 Eagle Corporation declares a quarterly cash dividend of \$0.05 per share payable on April 13 to all stockholders of record on March 30. 100 million shares are outstanding.

Cash Dividend = 100,000,000 shares × \$0.05 per share = \$5,000,000

March 15	Debit	Credit
Dividends	5,000,000	
Dividends Payable		5,000,000
(Declare cash dividends)		
March 30		
No Entry		
April 13		
Dividends Payable	5,000,000	
Cash		5,000,000
(Pay cash dividends)		

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KRISTEN BALL, DODGE CITY
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Assurance of Learning Ready

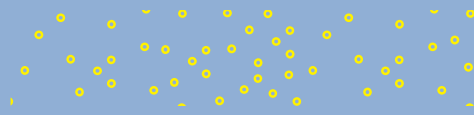
Many educational institutions today are focused on the notion of assurance of learning, an important element of some accreditation standards. *Survey of Accounting*, 6e, is designed specifically to support your assurance of learning initiatives with a simple, yet powerful, solution. Each test bank question for *Survey of Accounting*, 6e, maps to a specific chapter learning outcome/objective listed in the text. You can use our test bank software, EZ Test, and *Connect* to easily query for learning outcomes/objectives that directly relate to the learning objectives for your course. You can then use the reporting features of EZ Test and *Connect* to aggregate student results in similar fashion, making the collection and presentation of assurance of learning data simple and easy.

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ACKNOWLEDGMENTS



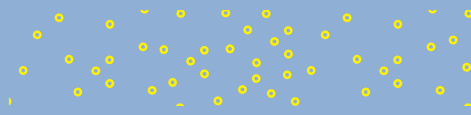
We would like to express our appreciation to the people who have provided assistance in the development of this textbook.

We recognize the following instructors for their invaluable feedback and involvement in the development of *Survey of Accounting*, Sixth Edition. We are thankful for their feedback and suggestions.

Reviewers

Our appreciation to those who reviewed the current and previous editions:

Wafeek Abdelsayed, <i>Southern Connecticut State University</i>	Dana Garner, <i>Virginia Polytechnic Institute</i>	Richard Newmark, <i>University of Northern Colorado</i>
Patricia Abels, <i>University of Findlay</i>	John Giles, <i>North Carolina State University</i>	Brian O'Doherty, <i>East Carolina State University</i>
Khaled Abdou, <i>Penn State University–Berks Campus</i>	Gladys Gomez, <i>University of Mary Washington</i>	Sandra Owen, <i>Indiana University–Bloomington</i>
Mollie Adams, <i>Virginia Polytechnic Institute</i>	Robert Holtfreter, <i>Central Washington University</i>	Lolita Paff, <i>Penn State University–Berks Campus</i>
Gary Ames, <i>Brigham Young University–Idaho</i>	Harry Hughes, <i>University of Tennessee–Knoxville</i>	Robert Patterson, <i>Penn State–Erie, the Behrend College</i>
David Bukovinsky, <i>Wright State University</i>	Kim Hurt, <i>Central Community College</i>	Vanda Pauwels, <i>Texas Tech University</i>
Susan Cain, <i>Southern Oregon University</i>	Constance Hylton, <i>George Mason University</i>	Therese Rice, <i>North Hennepin Community College</i>
Alvaro Carreras, <i>Barry University</i>	Ronald Jastrzebski, <i>Penn State University–Berks Campus</i>	Daniel Ricigliano, <i>Buffalo State College</i>
Thomas Casey, <i>DeVry University–Tinley Park</i>	Ann Kakouras, <i>Virginia Western Community College</i>	Jacci Rodgers, <i>Oklahoma City University</i>
Suzanne Cercone, <i>Keystone College</i>	Tammy Kowalczyk, <i>Appalachian State University</i>	Shiv Sharma, <i>Robert Morris University</i>
Al Chen, <i>North Carolina State University</i>	Nancy Lynch, <i>West Virginia University–Morgantown</i>	Jim Shelton, <i>Harding University</i>
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Barbara Fox, <i>Northern Illinois University</i>		Jan Workman, <i>East Carolina University</i>
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We would like to thank Helen Roybark and Beth Kobylarz for their review work on the text for the sixth edition. Special thanks to the talented people who prepared the supplements. These take a great deal of time and effort to write and we appreciate their efforts. We want to thank Debby Bloom of Florida Institute of Technology for preparing the PowerPoints Jeannie Folk and Barbara Muller for the Test Bank; and Helen Roybark and Kristine Palmer for accuracy checking the text and solutions manual. Thank you to Beth Kobylarz and Patricia Lopez for their *Connect* reviews. Thank you to Molly Brown of James Madison University for reviewing the *Connect* Video Lecture assignments for accuracy and consistency. A special thanks to Linda Bell of William Jewell College for her contribution to the Financial Statement Analysis material that appears in the Instructor Manual and Instructor Library.

In addition to the helpful and generous colleagues listed, we thank the entire McGraw-Hill Education *Survey of Accounting*, 6e, team, including Tim Vertovec, Steve Schuetz, Erin Quinones, Danielle McLimore, Fran Simon, Jill Eccher, Brian Nacik, Kevin Moran, Xin Lin, and Matt Diamond. We deeply appreciate the long hours that you committed to the formation of a high-quality text.

Thomas P. Edmonds • Christopher T. Edmonds • Mark A. Edmonds • Jennifer E. Edmonds • Philip R. Olds

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Mirko Vitali/123RF

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