Adapting to the Needs of Today's Students

Financial and Managerial Accounting, 5e

Enhancements in technology have changed the spectrum of how we live and learn in the world today. Being able to download and work with learning tools on smart phones, tablets, or laptop computers empowers students to drive their own learning by putting increasingly intelligent technology into their hands.

No two students are alike, and whether the goal is to become an accountant or a businessperson or simply to be an informed consumer of accounting information, Financial and Managerial Accounting (FinMan) has helped generations of students succeed by giving them support in the form of leading-edge accounting content that engages students, paired with state-of-the-art technology that elevates their understanding of key accounting principles.

With FinMan on your side, you’ll be provided with engaging content in a motivating style to help students see the relevance of accounting. Students are motivated when reading materials that are clear and pertinent. FinMan excels at engaging students. Its chapter-opening vignettes showcase dynamic, successful entrepreneurial individuals and companies guaranteed to interest and excite students, and highlights the usefulness of accounting to those business owners. This edition’s featured companies—Polaris, Arctic Cat, KTM, and Piaggio—capture students with their products and annual reports, which are a pathway for learning financial statements. Further, this book’s coverage of the accounting cycle fundamentals is widely praised for its clarity and effectiveness.

FinMan also delivers innovative technology to help student performance. Connect Accounting provides students with instant grading and feedback for assignments that are completed online. With our new Intelligent Response Technology, we are taking our accounting content to the next level, delivering assessment material in a more intuitive, less restrictive format that adapts to the needs of today’s students.

Our new content features:
- a general journal interface that looks and feels more like that found in practice.
- an auto-calculation feature that allows students to focus on concepts rather than rote tasks.
- a smart (auto-fill) drop-down design.

The end result is content that better prepares students for the real world. Connect Accounting also includes digitally based, interactive adaptive learning tools that provide an opportunity to engage students more effectively by offering varied instructional methods and more personalized learning paths that build on different learning styles, interests, and abilities, allowing students to work at their own pace.

McGraw-Hill LearnSmart™ is an intelligent learning system that uses a series of adaptive questions to pinpoint each student’s knowledge gaps. LearnSmart then provides an optimal learning path for each student, so that they spend less time in areas they already know and more time in areas they don’t. The result is LearnSmart’s adaptive learning path that helps students retain more knowledge, learn faster, and study more efficiently.

Our Interactive Presentations teach each chapter’s core learning objectives in a rich multimedia format, bringing the content to life. Your students will come to class prepared when you assign Interactive Presentations. Students can also review the Interactive Presentations as they study.

Guided Examples provide students with narrated, animated, step-by-step walkthroughs of algorithmic versions of assigned exercises. Students appreciate the Guided Examples because they can help students learn accounting and complete assignments when outside of class.

Connect Plus Accounting integrates a media-rich online version of the textbook with Connect Accounting.

“This is an excellent book that is well-written and contains excellent illustrations. It has the best online supplements of any of the texts that I have reviewed. . . . This is an excellent book that I would recommend to all of my colleagues."

— KAREN CRISONINO, County College of Morris
About the Authors

JOHN J. WILD is a distinguished professor of accounting at the University of Wisconsin at Madison. He previously held appointments at Michigan State University and the University of Manchester in England. He received his BBA, MS, and PhD from the University of Wisconsin.

Professor Wild teaches accounting courses at both the undergraduate and graduate levels. He has received numerous teaching honors, including the Mabel W. Chipman Excellence-in-Teaching Award, the departmental Excellence-in-Teaching Award, and the Teaching Excellence Award from the 2003 and 2005 business graduates at the University of Wisconsin. He also received the Beta Alpha Psi and Roland F. Salmonson Excellence-in-Teaching Award from Michigan State University. Professor Wild has received several research honors and is a past KPMG Peat Marwick National Fellow and is a recipient of fellowships from the American Accounting Association and the Ernst and Young Foundation.

In his leisure time, Professor Wild enjoys hiking, sports, travel, people, and spending time with family and friends.

KEN W. SHAW is an associate professor of accounting and the Deloitte Professor of Accounting at the University of Missouri. He previously was on the faculty at the University of Maryland at College Park. He received an accounting degree from Bradley University and an MBA and PhD from the University of Wisconsin. He is a Certified Public Accountant with work experience in public accounting.

Professor Shaw teaches financial accounting at the undergraduate and graduate levels. He received the Williams-Keepers LLC Teaching Excellence award in 2007, was voted the “Most Influential Professor” by three School of Accountancy graduating classes, and is a two-time recipient of the O’Brien Excellence in Teaching Award. He is the advisor to his School’s chapter of the Association of Certified Fraud Examiners.

Professor Shaw is an active member of the American Accounting Association and its sections. He has served on many committees of these organizations and presented his research papers at national and regional meetings. Professor Shaw’s research appears in the Journal of Accounting Research, Contemporary Accounting Research, Journal of Financial and Quantitative Analysis, Journal of the American Taxation Association, Strategic Management Journal; Journal of Accounting, Auditing, and Finance; Journal of Financial Research; and other journals. He has served on the editorial boards of Issues in Accounting Education and the Journal of Business Research. Professor Shaw is co-author of Fundamental Accounting Principles, Managerial Accounting, and College Accounting, published by McGraw-Hill.

In his leisure time, Professor Shaw enjoys tennis, cycling, music, and coaching his children’s sports teams.

BARBARA CHIAPPETTA received her BBA in Accountancy and MS in Education from Hofstra University and is a tenured full professor at Nassau Community College. For the past two decades, she has been an active executive board member of the Teachers of Accounting at Two-Year Colleges (TACTYC), serving 10 years as vice president and as president from 1993 through 1999. As an active member of the American Accounting Association, she has served on the Northeast Regional Steering Committee, chaired the Curriculum Revision Committee of the Two-Year Section, and participated in numerous national committees. Professor Chiappetta has been inducted into the American Accounting Association Hall of Fame for the Northeast Region. She had also received the Nassau Community College dean of instruction’s Faculty Distinguished Achievement Award. Professor Chiappetta was honored with the State University of New York Chancellor’s Award for Teaching Excellence in 1997.

As a confirmed believer in the benefits of the active learning pedagogy, Professor Chiappetta has authored Student Learning Tools, an active learning workbook for a first-year accounting course, published by McGraw-Hill/Irwin.

In her leisure time, Professor Chiappetta enjoys tennis and participates on a U.S.T.A. team. She also enjoys the challenge of bridge. Her husband, Robert, is an entrepreneur in the leisure sport industry. She has two sons—Michael, a lawyer, specializing in intellectual property law in New York, and David, a composer, pursuing a career in music for film in Los Angeles.
Dear Colleagues/Friends,

As we roll out the new edition of *Financial and Managerial Accounting*, we thank each of you who provided suggestions to improve our textbook. As teachers, we know how important it is to select the right book for our course. This new edition reflects the advice and wisdom of many dedicated reviewers, symposium and workshop participants, students, and instructors. Our book consistently rates number one in customer loyalty because of you. Together, we have created the most readable, concise, current, accurate, and innovative accounting book available today.

Throughout the writing process, we steered this book in the manner you directed. Reviewers, instructors, and students say this book’s enhanced presentation, graphics, and technology cater to different learning styles and helps students better understand accounting. *Connect Plus Accounting* offers new features to improve student learning and to assist instructor teaching and grading. You and your students will find all these tools easy to apply.

We owe the success of this book to you and other instructors who graciously took time to help us focus on the changing demands of today’s students and their learning needs. We feel fortunate to have witnessed our profession’s extraordinary devotion to teaching. Your feedback and suggestions are reflected in everything we write. Please accept our heartfelt thanks for your dedication in helping today’s students learn, understand, and appreciate accounting.

With kindest regards,

*John J. Wild       Ken W. Shaw       Barbara Chiappetta*
Adapting to the Needs of

McGraw-Hill Connect Plus Accounting is a complete online assignment, learning, and textbook assessment solution that connects your students with the tools and resources needed to achieve success through faster learning, more efficient studying, and higher retention of knowledge. Key features found in Connect Plus Accounting include:

**Intelligent Response Technology** Intelligent Response Technology is Connect Accounting's new student interface for end-of-chapter assessment content. Intelligent Response Technology provides a general journal application that looks and feels more like what you would find in a general ledger software package, improves answer acceptance to reduce student frustration with formatting issues (such as rounding), and, for select questions, provides an expanded table that guides students through the process of solving the problem.

"I like that this system was formatted like real-world accounting is."

—Student, Rose State College

"I love how the general journal was set up. It felt like what I would be filling out if I had an accounting job."

—Student, Chabot Community College
Today's Students!

Connect Accounting helps students learn more efficiently by providing feedback and practice material when they need it, where they need it. Connect grades homework automatically and gives immediate feedback on any questions students may have missed.

"This system has improved the journal entry and T-account set-up processes to more accurately resemble the way it is done in class."

—Student, Tallahassee Community College
Interactive Presentations  Connect Accounting's Interactive Presentations teach each chapter's core learning objectives and concepts through an engaging, hands-on presentation, bringing the text content to life. Interactive Presentations harness the full power of technology to truly engage and appeal to all learning styles. Interactive Presentations are ideal in all class formats—online, face-to-face, or hybrid.

Integrated eBooks  Connect Plus includes a media-rich eBook. With it, you can share your notes with your students, and they can insert their own notes, highlight the text, search for specific information, and review their materials. Using an eBook with Connect gives your students a complete digital solution that allows them to access their materials from any computer. And over time, as more and more students use mobile devices, our eBooks will even enable them to learn on the go.
Guided Examples Guided Examples provide narrated, animated, and step-by-step walkthroughs of algorithmic versions of assigned exercises in Connect Accounting, allowing the student to identify, review, or reinforce the concepts and activities covered in class. Guided Examples provide immediate feedback and focus on the areas where students need the most guidance.

LearnSmart No two students are alike. McGraw-Hill LearnSmart™ is an intelligent learning system that uses a series of adaptive questions to pinpoint each student's knowledge gaps. LearnSmart then provides an optimal learning path for each student, so that they spend less time in areas they already know and more time in areas they don't. The result is that LearnSmart's adaptive learning path helps students retain more knowledge, learn faster, and study more efficiently.

Student Resource Library The Connect Accounting Student Study Center gives access to additional resources such as recorded lectures, online practice materials, an eBook, and more.
Simple Assignment Management and Smart Grading

With Connect Plus Accounting, creating assignments is easier than ever, so you can spend more time teaching and less time managing.

Connect Accounting enables you to:
- Create and deliver assignments easily with select end-of-chapter questions and test bank items.
- Go paperless with the eBook and online submission and grading of student assignments.
- Have assignments scored automatically, giving students immediate feedback on their work and side-by-side comparisons with correct answers.
- Reinforce classroom concepts with practice tests and instant quizzes.

McGraw-Hill’s solutions are proven to improve student performance. With Connect Accounting, students can access a wealth of engaging resources to help them study more effectively and perform at a higher level on homework and exams. Connect Accounting also allows instructors to assign McGraw-Hill’s world class content and assess student performance.

The integrated solutions for Financial and Managerial Accounting have been specifically designed to help you achieve your course goals of improving student readiness, enhancing student engagement, and increasing their comprehension of content. McGraw-Hill’s adaptive learning component, LearnSmart, provides assignable modules that help students master chapter core content and come to class more prepared. In addition, Interactive Presentations deliver learning objectives in an interactive environment, giving students access to course-critical content anytime, anywhere. Known for its engaging style, the FinMan solution employs the use of current companies, LearnSmart, and our instant feedback on practice problems to help students engage with our materials, comprehend the content, and achieve higher outcomes in the course.

Alternate Chapter Options

This edition of Financial and Managerial Accounting features five alternate chapters that can be substituted for the traditional chapters through McGraw-Hill Learning Solutions or Create. These chapters provide alternate methods of teaching and learning chapter material and are fully supported in Connect. Alternate chapters available include:
- Chapter 5 - "Inventories and Cost of Sales" featuring the periodic inventory method
- Chapter 10 - "Long-Term Liabilities" featuring the effective interest method
- Chapter 12 - "Reporting on the Statement of Cash Flows" featuring the direct method
- Chapter 16 - "Process Cost Accounting" featuring the First-In, First-Out method
- Chapter 20 - "Master Budgets and Planning" featuring manufacturing budgets

Contact your publisher’s representative or learning solutions specialist for more information.
Today's Instructors

**Student Reporting**

Connect Accounting keeps instructors informed about how each student, section, and class is performing, allowing for more productive use of lecture and office hours. The reporting function enables you to:

- View scored work immediately and track individual or group performance with assignment and grade reports.
- Access an instant view of student or class performance relative to learning objectives.
- Collect data and generate reports required by many accreditation organizations, such as AACSB and AICPA.
- Identify low-performance students with the "At Risk" student report.

**Instructor Library**

The Connect Accounting Instructor Library is your repository for additional resources to improve student engagement in and out of class. You can select and use any asset that enhances your lecture. The Connect Accounting Instructor Library includes: access to the eBook version of the text, PowerPoint files, Solutions Manual, Instructor Resource Manual, and Test Bank.

**Tegrity: Lectures 24/7**

Make your classes available anytime, anywhere. With simple one-click recording, instructors can record lectures, presentations, and step-by-step problem solutions with Tegrity. Using Tegrity with Connect Accounting, instructors can post recordings directly to Connect for student viewing. Students can also search for a word or phrase and be taken to the exact place in your lecture that they need to review.

To learn more about Tegrity watch a two-minute Flash demo at [http://tegritycampus.mhhe.com](http://tegritycampus.mhhe.com).

**McGraw-Hill Customer Experience Group Contact Information**

At McGraw-Hill, we understand that getting the most from new technology can be challenging. That’s why our services don’t stop after you purchase our products. You can e-mail our Product Specialists 24 hours a day to get product training online. Or you can search our knowledge bank of Frequently Asked Questions on our support Website. For Customer Support, call 800-331-5094 or visit [www.mhhe.com/support](http://www.mhhe.com/support). One of our Technical Support Analysts will be able to assist you in a timely fashion.
How Can Text-Related Web Resources Enrich My Course?

Online Learning Center (OLC)

We offer an Online Learning Center (OLC) that follows *Financial and Managerial Accounting* chapter by chapter. It doesn’t require any building or maintenance on your part. It’s ready to go the moment you and your students type in the URL: www.mhhe.com/wildFINMAN5e

As students study and learn from *Financial and Managerial Accounting*, they can visit the Student Edition of the OLC Website to work with a multitude of helpful tools:

- Generic Template Working Papers
- Chapter Learning Objectives
- Interactive Chapter Quizzes

A secured Instructor Edition stores essential course materials to save you prep time before class. Everything you need to run a lively classroom and an efficient course is included. All resources available to students, plus . . .

- Instructor’s Resource Manual
- Solutions Manual
- Solutions to Excel Template Assignments
- Test Bank
- Solutions to Sage 50 Complete Accounting and QuickBooks templates

The OLC Website also serves as a doorway to other technology solutions, like course management systems.

McGraw-Hill Higher Education and Blackboard have teamed up. What does this mean for you?

1. **Single sign-on.** Now you and your students can access McGraw-Hill's Connect™ and Create™ right from within your Blackboard course—all with one single sign-on.

2. **Deep integration of content and tools.** You get single sign-on with Connect and Create, you also get integration of McGraw-Hill content and content engines right in Blackboard. Whether you're choosing a book for your course or building Connect assignments, all the tools you need are right where you want them—inside Blackboard.

3. **One grade book.** Keeping several grade books and manually synchronizing grades in Blackboard is no longer necessary. When a student completes an integrated Connect assignment, the grade for that assignment automatically (and instantly) feeds your Blackboard grade center.

4. **A solution for everyone.** Whether your institution is already using Blackboard or you just want to try Blackboard on your own, we have a solution for you. McGraw-Hill and Blackboard can now offer you easy access to industry-leading technology and content, whether your campus hosts it, or we do. Be sure to ask your local McGraw-Hill representative for details.

**McGraw-Hill Campus™**

McGraw-Hill Campus™ is a new one-stop teaching and learning experience available to users of any learning management system. This complimentary integration allows faculty and students to enjoy single sign-on (SSO) access to all McGraw-Hill Higher Education materials and synchronized grade-book with our award-winning McGraw-Hill Connect platform. McGraw-Hill Campus provides faculty with instant access to all McGraw-Hill Higher Education teaching materials (eTextbooks, test banks, PowerPoint slides, animations and learning objects, and so on), allowing them to browse, search, and use any instructor ancillary content in our vast library at no additional cost to instructor or students. Students enjoy SSO access to a variety of free (quizzes, flash cards, narrated presentations, and so on) and subscription-based products (McGraw-Hill Connect). With this integration enabled, faculty and students will never need to create another account to access McGraw-Hill products and services. For more information on McGraw-Hill Campus please visit our website at www.mhcampus.com.
CourseSmart
CourseSmart is a new way to find and buy eTextbooks. CourseSmart has the largest selection of eTextbooks available anywhere, offering thousands of the most commonly adopted textbooks from a wide variety of higher education publishers. CourseSmart eTextbooks are available in one standard online reader with full text search, notes, highlighting, and email tools for sharing between classmates. Visit www.CourseSmart.com for more information on ordering.

How Can Adaptive Online Learning Improve Student Performance?

ALEKS® Significantly Increase Student Success and Retention

"After I adopted ALEKS for my Principles of Accounting course, I got fewer and shorter lines for my office hours, and the class average jumped 10-15 percent overall. It’s a win-win situation."

—Professor Fatma Cebenoyan, Hunter College, NY

ALEKS: A Superior, Student-Friendly Accounting Experience:

- Artificial Intelligence Fills Individual Student Knowledge Gaps
- Cycle of Learning & Assessment Increases Learning Momentum & Engages Students
- Adaptive, Open-Response Environment Avoids Multiple-Choice Questions
- Customizable Curriculum Aligns with Your Course Syllabi and Textbooks
- Dynamic, Automated Reports Monitor Detailed Student & Class Progress

To learn more, visit: www.aleks.com/highered/business

ALEKS is a registered trademark of ALEKS Corporation.
Using Accounting for Decisions

Whether we prepare, analyze, or apply accounting information, one skill remains essential: decision-making. To help develop good decision-making habits and to illustrate the relevance of accounting, our book uses a unique pedagogical framework we call the Decision Center. This framework is comprised of a variety of approaches and subject areas, giving students insight into every aspect of business decision-making; see three examples to the right and one below. Answers to Decision Maker and Ethics boxes are at the end of each chapter.

CAP Model

The Conceptual/Analytical/Procedural (CAP) Model allows courses to be specially designed to meet your teaching needs or those of a diverse faculty. This model identifies learning objectives, textual materials, assignments, and test items by C, A, or P, allowing different instructors to teach from the same materials, yet easily customize their courses toward a conceptual, analytical, or procedural approach (or a combination thereof) based on personal preferences.

Global View

This section explains international accounting practices relating to the material covered in that chapter. This section is purposefully located at the end of each chapter so that each instructor can decide what emphasis, if at all, is to be assigned to it. The aim of this Global View section is to describe accounting practices and to identify the similarities and differences in international accounting practices versus that in the United States. As we move toward global convergence in accounting practices, and as we witness the likely conversion of U.S. GAAP to IFRS, the importance of student familiarity with international accounting grows. This innovative section helps us begin down that path of learning and teaching global accounting practices.

"We are very impressed with the text itself. The updated look, colors, illustrations, ... the inclusion of IFRS information will help the transition in the future—which is a good thing. We have the flexibility to pick and choose for now with the way you have laid out the information."

—Bob Urell, Irvine Valley College
I like the layout of the text and the readability. The illustrations and comics in the book make the text seem less intimidating and boring for students. The PowerPoint slides are easy to understand and use, the pictorials are great, and the text has great coverage of accounting material. The addition of IFRS information and the updates to the opening stories are great. I like that the decision insights are about businesses the students can relate to (i.e., Facebook, women start-up businesses, etc).

—Jeannie Liu, Chaffey College

Quick Check
These short question/answer features reinforce the material immediately preceding them. They allow the reader to pause and reflect on the topics described, then receive immediate feedback before going on to new topics. Answers are provided at the end of each chapter.

12. Give an example of a natural resource and of an intangible asset.
13. A company pays $650,000 for an ore deposit. The deposit is estimated to have 325,000 tons of ore that will be mined over the next 10 years. During the first year, it mined, processed, and sold 91,000 tons. What is that year’s depletion expense?
14. On January 6, 2013, a company pays $120,000 for a patent with a remaining 17-year legal life to produce a toy expected to be marketable for three years. Prepare entries to record its acquisition and the December 31, 2013, amortization entry.

Marginal Student Annotations
These annotations provide students with additional hints, tips, and examples to help them more fully understand the concepts and retain what they have learned. The annotations also include notes on global implications of accounting and further examples.
Once a student has finished reading the chapter, how well he or she retains the material can depend greatly on the questions, exercises, and problems that reinforce it. This book leads the way in comprehensive, accurate assignments.

Demonstration Problems present both a problem and a complete solution, allowing students to review the entire problem-solving process and achieve success.

Chapter Summaries provide students with a review organized by learning objectives. Chapter Summaries are a component of the CAP model (see page xiv), which recaps each conceptual, analytical, and procedural objective.

Key Terms are bolded in the text and repeated at the end of the chapter with page numbers indicating their location. The book also includes a complete Glossary of Key Terms.

Multiple Choice Quiz questions quickly test chapter knowledge before a student moves on to complete Quick Studies, Exercises, and Problems.

Exercises are one of this book’s many strengths and a competitive advantage. There are about 10-15 per chapter and most are included in Connect Accounting.

Problem Sets A & B are proven problems that can be assigned as homework or for in-class projects. All problems are coded according to the CAP model (see page xiv), and Set A is included in Connect Accounting.
Helps Students Master Key Concepts

**Beyond the Numbers** exercises ask students to use accounting figures and understand their meaning. Students also learn how accounting applies to a variety of business situations. These creative and fun exercises are all new or updated, and are divided into sections:

- Reporting in Action
- Comparative Analysis
- Ethics Challenge
- Communicating in Practice
- Taking It To The Net
- Teamwork in Action
- HITting the Road
- Entrepreneurial Decision
- Global Decision

**Serial Problem** uses a continuous running case study to illustrate chapter concepts in a familiar context. The Serial Problem can be followed continuously from the first chapter or picked up at any later point in the book; enough information is provided to ensure students can get right to work.

"The serial problems are excellent…. I like the continuation of the same problem to the next chapters if applicable. I use the Quick Studies as practice problems. . . . Students have commented that this really works for them if they work (these questions) before attempting the assigned exercises and problems. I also like the discussion (questions) and make this an assignment. You have done an outstanding job presenting accounting to our students."

—Jerri Tittle, Rose State College

**The End of the Chapter Is Only the Beginning** Our valuable and proven assignments aren’t just confined to the book. From problems that require technological solutions to materials found exclusively online, this book’s end-of-chapter material is fully integrated with its technology package.

- Quick Studies, Exercises, and Problems available in Connect are marked with an icon.
- Problems supported with Microsoft Excel template assignments are marked with an icon.
- Problems supported by the Sage 50 Complete Accounting or Quickbooks are marked with an icon.
- Assignments that focus on global accounting practices and companies are often identified with an icon.
Enhancements in This Edition

This edition’s revisions are driven by instructors and students. General revisions to the entire book follow (including chapter-by-chapter revisions):

- Revised and updated assignments throughout
- Updated ratio/tool analysis and data for each chapter
- New material on International Financial Reporting Standards (IFRS) in most chapters, including global examples
- New and revised entrepreneurial examples and elements
- Revised serial problem through nearly all chapters
- New art program, visual info-graphics, and text layout
- New Polaris (maker of ATVs, snowmobiles, motorcycles, and electric vehicles) annual report with comparisons to competitors, including Arctic Cat, KTM (IFRS), and Piaggio (IFRS) with new assignments
- Updated graphics added to each chapter’s analysis section
- New technology content integrated and referenced in the book
- Updated Global View section in each chapter
- New innovative assignments sprinkled throughout the book

Chapter 1
Twitter NEW opener with new entrepreneurial assignment
Streamlined and reorganized discussion of the users of accounting information
Updated salary information and new margin notes on the value of education
New presentation on the ‘fraud triangle’ and its relevance to accounting and internal control
New discussion on the joint role of the FASB and IASB in standard setting
Revised layout for accounting principles and assumptions
New information on the Dodd-Frank act and its relevance to accounting
New survey data from executives on the impact of fraud in the economic downturn
New world map on the adoption of IFRS or a variant of IFRS across countries
New company (Dell) for the return on assets section of Decision Analysis

Chapter 2
Nom Nom Truck NEW opener with new entrepreneurial assignment
Reorganized discussion and presentation of assets, liabilities, and equity accounts
Revised description of journalizing and posting of transactions
New headings on each general journal for this chapter’s major illustration introducing our unique four-step transaction analysis
Revised global view and new Piaggio’s (abbreviated) balance sheet
Updated debt ratio discussion using recent Skechers’s information

Chapter 3
askdans NEW opener with new entrepreneurial assignment
New layout for the types of adjustments
New example of unearned revenues using USA Today
Enhanced and emphasized the innovative three-step process for adjusting accounts
Updated IFRS and FASB revenue recognition convergence

Chapter 4
Faithful Fish NEW opener with new entrepreneurial assignment
Enhanced exhibit on transportation costs and FOB terms, with inclusion of entries
New discussion of online ordering, tracking numbers, RFID, and FOB
Revised the two-step explanation of recording merchandise sales
New discussion on the importance and risks of accounting for sales returns
Revised visual display of a sales invoice
Revised discussion of merchandising purchases and sales
New Volkswagen example of IFRS income statement

Chapter 5
Feverish Ice Cream NEW opener with new entrepreneurial assignment
Enhanced exhibit that visually shows cost flows from inventory to financial statements, with superior info-graphics
Added new discussion on inventory controls
New explanatory boxes added to selected exhibits as learning aids
Expanded assignments covering perpetual and periodic inventory measurement
New material on IFRS and inventory methods

Chapter 6
CHEESEBOY NEW opener with new entrepreneurial assignment
New discussion of payroll controls
Expanded presentation of ‘Hacker’s Guide’
New discussion of the lock box and its purpose
New data on sources of fraud complaints
New evidence on methods to override controls
New visual on document to bond (insure) an employee
New example of MLB controls, or lack thereof

Chapter 7
Under Armour NEW opener with new entrepreneurial assignment
Added explanation of credit card sales
New discussion of mobile payment systems using mini-card-readers and iPads
New illustration comparing bad debts recognition under the allowance method versus the direct write-off method
Revised exhibit on aging of accounts receivable, including all detailed accounts
New illustration on why the banker’s rule is commonly applied

Chapter 8
BizChair.com NEW opener with new entrepreneurial assignment
New learning boxes added to selected exhibits identifying salvage value
New explanation on how asset purchases occurring on different days of the month are commonly processed
New example of extraordinary repairs applied to the stealth bomber
New notes added to emphasize that depreciation is cost allocation, and not valuation
New explanation on how drugmakers fight patent expirations
New information on the Mickey Mouse Protection Act for Intangibles
New goodwill example using Google’s purchase of YouTube

Chapter 9
SmartIT Staffing NEW opener with new entrepreneurial assignment
Revised unearned revenues example based on Rihanna ticket sales
Added explanation on the role of sellers as tax collection ‘agents’ for the government
New information on franchise costs and how they are accounted for
Added select formulas to enhance the exhibit on payroll deductions

Chapter 10
barley & birch NEW opener with new entrepreneurial assignment
New explanation of why debt (credit) financing is less costly than equity financing
New margin graphics (four) illustrating how a debt’s carrying value is periodically adjusted until it equals maturity value at the end of its life
New margin boxes on calculator functions to compute the price of bonds
New explanation of what is investment grade debt
New discussion on the role of unreported liabilities and the 2008-2009 financial crisis
Reference to changes in lease accounting
New discussion of collateral and its role in debt financing
New separate appendix learning objectives on amortizing a discount or a premium using effective interest

Chapter 11
Groupon NEW opener with new entrepreneurial assignment
New discussion of Facebook’s IPO and the role of accounting information
New reference to corporate governance
New reference to state laws and where companies incorporate
New examples using Target for stock quotes and Google for stock splits
New discussion of fraudulent information dissemination and stock prices
Updated the global view on equity accounting

Updated payroll rates to 2012 with discussion on likely adjustments for 2013 and 2014
Added discussion on maximum withholding allowances claimed
New discussion on IRS actions against companies that fail to pay employment taxes
New evidence on payroll fraud, its median loss, and time taken to uncover such frauds
Chapter 12
TOMS NEW opener with new entrepreneurial assignment
Revised graphics to better illustrate cash inflows and outflows for operating, investing, and financing activities
Revised graphic to better reflect cash and cash equivalents
Added discussion on the use of T-accounts for reconstructing transactions impacting cash
New margin clarification for computing free cash flow
New discussion on the potential for IASB and FASB to issue guidance for the statement of cash flow that would require the direct method... stay tuned

Chapter 13
Motley Fool REVISED opener with new entrepreneurial assignment
New companies—Polaris, Arctic Cat, KTM and Piaggio—data throughout the chapter, exhibits, and illustrations
New boxed discussion on the role of financial statement analysis to fight and prevent fraud
Enhanced horizontal, vertical, ratio analysis using new companies and industry data
Streamlined global view section

Chapter 14
Back to the Roots NEW opener with new entrepreneurial assignment
New analytical learning objective
Updated ACFE statistics on fraud costs
New exhibit and discussion on fraud occurrence and average fraud loss by industry
Revised discussion of direct and indirect costs and related exhibit for added clarity
New summary of cost classifications and associated managerial decisions
New Decision Analysis to focus on raw materials inventory turnover and days’ sales in raw materials inventory
Moved discussion of types of manufacturing costs to appear before presentation of manufacturer’s financial statements
Expanded discussion of financial statements for service companies
New end of chapter assignments on raw materials inventory management and cost classification for service companies
Moved cycle time discussion to Chapter 23

Chapter 15
Astor and Black NEW opener with new entrepreneurial assignment
Reorganized discussion of job order costing for service companies
New discussion of accounting for nonmanufacturing costs and their role in pricing decisions
Added new journal entries for indirect materials and indirect labor for improved learning

Chapter 16
Three Twins Ice Cream NEW opener with new entrepreneurial assignment
Revised comparison of job order and process costing systems
New comparison of reports produced from job order and process costing systems
Added details for accounts used in the entry to record sales in process costing
Added new process costing assignments
Revisions to two learning objectives

Chapter 17
Belgian Brewing Company NEW opener with new entrepreneurial assignment
New section on activity-based costing for service providers
Enhanced discussions and exhibits on overhead allocation methods
New Decision Insight on the use of activity-based costing for business decisions
New section on the costs of quality
Added several new assignments for better learning

Chapter 18
Leather Head Sports NEW opener with new entrepreneurial assignment
New graphics on relations between per-unit fixed and variable costs and volume
Revised discussion of per-unit fixed and variable costs
Moved discussion of margin of safety to section on break-even
Revised discussion of assumptions in CVP analysis
Enhanced the formatting and layout of several key exhibits
New discussion and examples of using the contribution margin income statement to perform sensitivity analyses and compute sales needed for target income
Revised data for estimating cost behavior
New discussion on the use of RFID tags to control inventory costs and for error-reduction

Chapter 19
Samanta Shoes REVISED opener with new entrepreneurial assignment
New Global View with reference to McDonald’s international operations
Revised section on limitations of variable costing
New discussion of absorption costing and IFRS
Revised several exhibits for better learning
Enhanced examples of absorption and variable costing and their differences
Added new assignments for better learning

Chapter 20
Freshii NEW opener with new entrepreneurial assignment
New discussion on incentive compensation and budgeting
Expanded global view on foreign currency exchange rates and budgeting
Updated discussion on Apple’s cash cushion
Added new end of chapter assignments

Chapter 21
Folsom Custom Skis NEW opener with new entrepreneurial assignment
New discussion on budgeting for service providers
Revised several exhibits for learning clarity
Revised discussion of predicting activity levels
New enhanced exhibit on framework for understanding total overhead variance, including formulas
Revised discussion of controllable and variable variances

Chapter 22
United By Blue NEW opener with new entrepreneurial assignment
Revised discussion linking direct and indirect expenses to controllable and uncontrollable costs
Highlighted four-step process to prepare departmental income statements
Moved discussion and illustration of profit margin and investment turnover to main body of chapter
Added discussion on cycle time and cycle efficiency
New exhibit on how to prepare departmental performance reports
Edited discussion of example on preparing departmental performance reports
New discussion on issues in computing return on (assets) investment and residual income
New discussion on the link between executive compensation and company performance
Updated global view on division reporting and its explanation for added clarity

Chapter 23
Charlie’s Brownies NEW opener with new entrepreneurial assignment
New discussion on outsourcing of information and technology services
Simplified discussions and exhibits for several examples of managerial decisions
Streamlining of selected explanations

Chapter 24
Gamer Grub REVISED opener with new entrepreneurial assignment
Updated graphic on industry cost of capital estimates
New presentation on payback periods for health care providers
New discussion on link between CEO compensation and IRR
Simplified computation of the accounting rate of return
New example showing calculation of net present value with salvage value
New exhibit showing formula for computing average investment
Enhanced graphics on NPV and IRR decision rules

Appendix C
myYearbook (MeetMe Inc.) NEW opener with new entrepreneurial assignment
New discussion of the two optional presentations for comprehensive income per FASB guidance in 2012
Revised discussion of accounting for securities
New reference to Greek debt in the context of international operations

Appendix D
New examples of LLPs and their prevalence among professional services
New discussion of the potential for multiple drawing accounts in practice
Revised and streamlined three-step process to liquidate a partnership

Appendix E
Expanded discussion and examples of hackers and internal controls
New pneumonic tool for system principles
Enhanced exhibit on system components
New discussion on voice recognition controls
New discussion on cloud computing, its implications to accounting, and its risks
New references to XBRL, Great Plains, and QuickBooks in accounting
Updated discussion and examples for ERP
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*John J. Wild    Ken W. Shaw    Barbara Chiappetta*
<table>
<thead>
<tr>
<th>Chapter</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Introducing Accounting in Business</td>
<td>2</td>
</tr>
<tr>
<td>2</td>
<td>Analyzing and Recording Transactions</td>
<td>50</td>
</tr>
<tr>
<td>3</td>
<td>Adjusting Accounts and Preparing Financial Statements</td>
<td>96</td>
</tr>
<tr>
<td>4</td>
<td>Accounting for Merchandising Operations</td>
<td>160</td>
</tr>
<tr>
<td>5</td>
<td>Inventories and Cost of Sales</td>
<td>208</td>
</tr>
<tr>
<td>6</td>
<td>Cash and Internal Controls</td>
<td>256</td>
</tr>
<tr>
<td>7</td>
<td>Accounts and Notes Receivable</td>
<td>300</td>
</tr>
<tr>
<td>8</td>
<td>Long-Term Assets</td>
<td>334</td>
</tr>
<tr>
<td>9</td>
<td>Current Liabilities</td>
<td>376</td>
</tr>
<tr>
<td>10</td>
<td>Long-Term Liabilities</td>
<td>420</td>
</tr>
<tr>
<td>11</td>
<td>Corporate Reporting and Analysis</td>
<td>464</td>
</tr>
<tr>
<td>12</td>
<td>Reporting Cash Flows</td>
<td>508</td>
</tr>
<tr>
<td>13</td>
<td>Analysis of Financial Statements</td>
<td>562</td>
</tr>
<tr>
<td>14</td>
<td>Managerial Accounting Concepts and Principles</td>
<td>608</td>
</tr>
<tr>
<td>15</td>
<td>Job Order Costing and Analysis</td>
<td>652</td>
</tr>
<tr>
<td>16</td>
<td>Process Costing and Analysis</td>
<td>690</td>
</tr>
<tr>
<td>17</td>
<td>Activity Based Costing and Analysis</td>
<td>736</td>
</tr>
<tr>
<td>18</td>
<td>Cost Behavior and Cost-Volume-Profit Analysis</td>
<td>776</td>
</tr>
<tr>
<td>19</td>
<td>Variable Costing and Performance Reporting</td>
<td>814</td>
</tr>
<tr>
<td>20</td>
<td>Master Budgets and Performance Planning</td>
<td>846</td>
</tr>
<tr>
<td>21</td>
<td>Flexible Budgets and Standard Costs</td>
<td>894</td>
</tr>
<tr>
<td>22</td>
<td>Performance Measurement and Responsibility Accounting</td>
<td>940</td>
</tr>
<tr>
<td>23</td>
<td>Relevant Costing for Managerial Decisions</td>
<td>984</td>
</tr>
<tr>
<td>24</td>
<td>Capital Budgeting and Investment Analysis</td>
<td>1014</td>
</tr>
</tbody>
</table>

Appendix A  Financial Statement Information A-1
Appendix B  Time Value of Money B
Appendix C  Investments and International Operations C
*Appendix D  Accounting for Partnerships
*Appendix E  Accounting with Special Journals

* Appendices D&E are available on the book’s Website, mhhe.com/wildFINMAN5e, and as print copy from a McGraw-Hill representative.
## Contents

<table>
<thead>
<tr>
<th>Preface  iii</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1 Introducing Accounting in Business 2</strong></td>
</tr>
<tr>
<td>Importance of Accounting 4</td>
</tr>
<tr>
<td>Users of Accounting Information 5</td>
</tr>
<tr>
<td>Opportunities in Accounting 6</td>
</tr>
<tr>
<td>Fundamentals of Accounting 7</td>
</tr>
<tr>
<td>Ethics—A Key Concept 7</td>
</tr>
<tr>
<td>Fraud Triangle 8</td>
</tr>
<tr>
<td>Generally Accepted Accounting Principles 9</td>
</tr>
<tr>
<td>International Standards 9</td>
</tr>
<tr>
<td>Conceptual Framework and Convergence 10</td>
</tr>
<tr>
<td>Sarbanes–Oxley (SOX) 13</td>
</tr>
<tr>
<td>Dodd-Frank 14</td>
</tr>
<tr>
<td>Transaction Analysis and the Accounting Equation 15</td>
</tr>
<tr>
<td>Accounting Equation 15</td>
</tr>
<tr>
<td>Transaction Analysis 16</td>
</tr>
<tr>
<td>Summary of Transactions 19</td>
</tr>
<tr>
<td>Financial Statements 20</td>
</tr>
<tr>
<td>Income Statement 20</td>
</tr>
<tr>
<td>Statement of Retained Earnings 20</td>
</tr>
<tr>
<td>Balance Sheet 20</td>
</tr>
<tr>
<td>Statement of Cash Flows 22</td>
</tr>
<tr>
<td>Global View 22</td>
</tr>
<tr>
<td>Decision Analysis—Return on Assets 23</td>
</tr>
<tr>
<td>Appendix 1A Return and Risk Analysis 27</td>
</tr>
<tr>
<td>Appendix 1B Business Activities and the Accounting Equation 27</td>
</tr>
<tr>
<td><strong>2 Analyzing and Recording Transactions 50</strong></td>
</tr>
<tr>
<td>Analyzing and Recording Process 52</td>
</tr>
<tr>
<td>Source Documents 52</td>
</tr>
<tr>
<td>The Account and Its Analysis 53</td>
</tr>
<tr>
<td>Analyzing and Processing Transactions 56</td>
</tr>
<tr>
<td>Ledger and Chart of Accounts 56</td>
</tr>
<tr>
<td>Debits and Credits 57</td>
</tr>
<tr>
<td>Double-Entry Accounting 57</td>
</tr>
<tr>
<td>Journalizing and Posting Transactions 58</td>
</tr>
<tr>
<td>Analyzing Transactions—An Illustration 61</td>
</tr>
<tr>
<td>Accounting Equation Analysis 65</td>
</tr>
<tr>
<td><strong>3 Adjusting Accounts and Preparing Financial Statements 96</strong></td>
</tr>
<tr>
<td>Timing and Reporting 98</td>
</tr>
<tr>
<td>The Accounting Period 98</td>
</tr>
<tr>
<td>Accrual Basis versus Cash Basis 99</td>
</tr>
<tr>
<td>Recognizing Revenues and Expenses 100</td>
</tr>
<tr>
<td>Adjusting Accounts 100</td>
</tr>
<tr>
<td>Frameworks for Adjustments 100</td>
</tr>
<tr>
<td>Prepaid (Deferred) Expenses 101</td>
</tr>
<tr>
<td>Unearned (Deferred) Revenues 104</td>
</tr>
<tr>
<td>Accrued Expenses 105</td>
</tr>
<tr>
<td>Accrued Revenues 107</td>
</tr>
<tr>
<td>Links to Financial Statements 109</td>
</tr>
<tr>
<td>Adjusted Trial Balance 110</td>
</tr>
<tr>
<td>Preparing Financial Statements 110</td>
</tr>
<tr>
<td>Closing Process 112</td>
</tr>
<tr>
<td>Temporary and Permanent Accounts 112</td>
</tr>
<tr>
<td>Recording Closing Entries 112</td>
</tr>
<tr>
<td>Post-Closing Trial Balance 114</td>
</tr>
<tr>
<td>Accounting Cycle 116</td>
</tr>
<tr>
<td>Classified Balance Sheet 117</td>
</tr>
<tr>
<td>Classification Structure 117</td>
</tr>
<tr>
<td>Classification Categories 118</td>
</tr>
<tr>
<td>Global View 120</td>
</tr>
<tr>
<td>Decision Analysis—Profit Margin and Current Ratio 121</td>
</tr>
<tr>
<td>Appendix 3A Alternative Accounting for Prepayments 125</td>
</tr>
<tr>
<td>Appendix 3B Work Sheet as a Tool 127</td>
</tr>
<tr>
<td>Appendix 3C Reversing Entries 129</td>
</tr>
</tbody>
</table>
4 Accounting for Merchandising Operations 160

Merchandising Activities 162
  Reporting Income for a Merchandiser 162
  Reporting Inventory for a Merchandiser 163
  Operating Cycle for a Merchandiser 163
  Inventory Systems 163

Accounting for Merchandise Purchases 164
  Purchase Discounts 165
  Purchase Returns and Allowances 166
  Transportation Costs and Ownership Transfer 167

Accounting for Merchandise Sales 169
  Sales of Merchandise 169
  Sales Discounts 170
  Sales Returns and Allowances 170

Completing the Accounting Cycle 172
  Adjusting Entries for Merchandisers 172
  Preparing Financial Statements 173
  Closing Entries for Merchandisers 173
  Summary of Merchandising Entries 173

Financial Statement Formats 174
  Multiple-Step Income Statement 175
  Single-Step Income Statement 176
  Classified Balance Sheet 176

Global View 177
Decision Analysis—Acid-Test and Gross Margin Ratios 178
Appendix 4A Periodic Inventory System 183
Appendix 4B Work Sheet—Perpetual System 187

5 Inventories and Cost of Sales 208

Inventory Basics 210
  Determining Inventory Items 210
  Determining Inventory Costs 211
  Internal Controls and Taking a Physical Count 211

Inventory Costing under a Perpetual System 211
  Inventory Cost Flow Assumptions 212
  Inventory Costing Illustration 213
  Specific Identification 213
  First-In, First-Out 215
  Last-In, First-Out 215
  Weighted Average 216
  Financial Statement Effects of Costing Methods 218
  Consistency in Using Costing Methods 219

Valuing Inventory at LCM and the Effects of Inventory Errors 219
  Lower of Cost or Market 219
  Financial Statement Effects of Inventory Errors 220

Global View 222
Decision Analysis—Inventory Turnover and Days’ Sales in Inventory 223
Appendix 5A Inventory Costing under a Periodic System 229
Appendix 5B Inventory Estimation Methods 234

6 Cash and Internal Controls 256

Internal Control 258
  Purpose of Internal Control 258
  Principles of Internal Control 259
  Technology and Internal Control 261
  Limitations of Internal Control 262

Control of Cash 263
  Cash, Cash Equivalents, and Liquidity 263
  Cash Management 264
  Control of Cash Receipts 264
  Control of Cash Disbursements 266

Banking Activities as Controls 270
  Basic Bank Services 270
  Bank Statement 272
  Bank Reconciliation 273

Global View 276
Decision Analysis—Days’ Sales Uncollected 277
Appendix 6A Documentation and Verification 280
Appendix 6B Control of Purchase Discounts 283

7 Accounts and Notes Receivable 300

Accounts Receivable 302
  Recognizing Accounts Receivable 302
  Valuing Accounts Receivable—Direct Write-Off Method 306
  Valuing Accounts Receivable—Allowance Method 307
  Estimating Bad Debts—Allowance Method 308
  Estimating Bad Debts—Percent of Receivables Method 309
  Estimating Bad Debts—Aging of Receivables Method 310
Notes Receivable 312
  Computing Maturity and Interest 312
  Recognizing Notes Receivable 313
  Valuing and Settling Notes 314

Disposal of Receivables 315
  Selling Receivables 315
  Pledging Receivables 315

Global View 316
Decision Analysis—Accounts Receivable Turnover 317

8 Long-Term Assets 334

SECTION 1—PLANT ASSETS 336
Cost Determination 337
  Land 337
  Land Improvements 338
  Buildings 338
  Machinery and Equipment 338
  Lump-Sum Purchase 338
Depreciation 339
  Factors in Computing Depreciation 339
  Depreciation Methods 340
  Partial-Year Depreciation 344
  Change in Estimates for Depreciation 345
  Reporting Depreciation 345
Additional Expenditures 346
  Ordinary Repairs 347
  Betterments and Extraordinary Repairs 347
Disposals of Plant Assets 348
  Discarding Plant Assets 348
  Selling Plant Assets 348

SECTION 2—NATURAL RESOURCES 350
Cost Determination and Depletion 350
  Plant Assets Used in Extracting 351

SECTION 3—INTANGIBLE ASSETS 351
Cost Determination and Amortization 351
  Types of Intangibles 352

Global View 354
Decision Analysis—Total Asset Turnover 355
Appendix 8A Exchanging Plant Assets 358

9 Current Liabilities 376

Characteristics of Liabilities 378
  Defining Liabilities 378
  Classifying Liabilities 378
  Uncertainty in Liabilities 379

Known Liabilities 380
  Accounts Payable 380
  Sales Taxes Payable 380
  Unearned Revenues 381
  Short-Term Notes Payable 381
  Payroll Liabilities 383
  Multi-Period Known Liabilities 386

Estimated Liabilities 387
  Health and Pension Benefits 387
  Vacation Benefits 388
  Bonus Plans 388
  Warranty Liabilities 388
  Multi-Period Estimated Liabilities 389

Contingent Liabilities 390
  Accounting for Contingent Liabilities 390
  Reasonably Possible Contingent Liabilities 390
  Uncertainties that Are Not Contingencies 391

Global View 391
Decision Analysis—Times Interest Earned Ratio 392
Appendix 9A Payroll Reports, Records,
  and Procedures 395
Appendix 9B Corporate Income Taxes 401

10 Long-Term Liabilities 420

Basics of Bonds 422
  Bond Financing 422
  Bond Trading 423
  Bond-Issuing Procedures 424

Bond Issuances 424
  Issuing Bonds at Par 424
  Bond Discount or Premium 425
  Issuing Bonds at a Discount 425
  Issuing Bonds at a Premium 428
  Bond Pricing 430
Bond Retirement 431
  Bond Retirement at Maturity 431
  Bond Retirement before Maturity 431
  Bond Retirement by Conversion 432
Long-Term Notes Payable 432
  Installment Notes 433
  Mortgage Notes and Bonds 434
Global View 435
Decision Analysis—Debt Features and the Debt-to-Equity Ratio 436
Appendix 10A Present Values of Bonds and Notes 440
Appendix 10B Effective Interest Amortization 442
Appendix 10C Issuing Bonds between Interest Dates 444
Appendix 10D Leases and Pensions 446

11 Corporate Reporting and Analysis 464

Corporate Form of Organization 466
  Characteristics of Corporations 466
  Corporate Organization and Management 467
  Stockholders of Corporations 468
  Basics of Capital Stock 469
Common Stock 470
  Issuing Par Value Stock 470
  Issuing No-Par Value Stock 471
  Issuing Stated Value Stock 472
  Issuing Stock for Noncash Assets 472
Dividends 473
  Cash Dividends 473
  Stock Dividends 474
  Stock Splits 476
Preferred Stock 476
  Issuance of Preferred Stock 477
  Dividend Preference of Preferred Stock 477
  Convertible Preferred Stock 478
  Callable Preferred Stock 479
  Reasons for Issuing Preferred Stock 479
Treasury Stock 480
  Purchasing Treasury Stock 480
  Reissuing Treasury Stock 481
  Retiring Stock 482

12 Reporting Cash Flows 508

Basics of Cash Flow Reporting 510
  Purpose of the Statement of Cash Flows 510
  Importance of Cash Flows 510
  Measurement of Cash Flows 511
  Classification of Cash Flows 511
  Noncash Investing and Financing 513
  Format of the Statement of Cash Flows 513
  Preparing the Statement of Cash Flows 514
Cash Flows from Operating 516
  Indirect and Direct Methods of Reporting 516
  Application of the Indirect Method of Reporting 517
  Summary of Adjustments for Indirect Method 522
Cash Flows from Investing 523
  Three-Stage Process of Analysis 523
  Analysis of Noncurrent Assets 523
  Analysis of Other Assets 524
Cash Flows from Financing 525
  Three-Stage Process of Analysis 525
  Analysis of Noncurrent Liabilities 525
  Analysis of Equity 526
  Proving Cash Balances 527
Global View 527
Decision Analysis—Cash Flow Analysis 528
Appendix 12A Spreadsheet Preparation of the Statement of Cash Flows 532
Appendix 12B Direct Method of Reporting Operating Cash Flows 535
13 Analysis of Financial Statements 562

Basics of Analysis 564
   Purpose of Analysis 564
   Building Blocks of Analysis 564
   Information for Analysis 565
   Standards for Comparisons 565
   Tools of Analysis 566

Horizontal Analysis 566
   Comparative Statements 566
   Trend Analysis 569

Vertical Analysis 571
   Common-Size Statements 571
   Common-Size Graphics 573

Ratio Analysis 574
   Liquidity and Efficiency 575
   Solvency 579
   Profitability 580
   Market Prospects 581
   Summary of Ratios 582

Global View 584
Decision Analysis—Analysis Reporting 584
Appendix 13A Sustainable Income 588

14 Managerial Accounting Concepts and Principles 608

Managerial Accounting Basics 610
   Purpose of Managerial Accounting 610
   Nature of Managerial Accounting 611
   Managerial Decision Making 613
   Fraud and Ethics in Managerial Accounting 613

Managerial Cost Concepts 614
   Types of Cost Classifications 614
   Identification of Cost Classifications 617
   Cost Concepts for Service Companies 617

Reporting Manufacturing Activities 618
   Manufacturer’s Costs 618
   Manufacturer’s Balance Sheet 619
   Manufacturer’s Income Statement 620
   Flow of Manufacturing Activities 622
   Manufacturing Statement 623
   Trends in Managerial Accounting 625

Global View 627
Decision Analysis—Raw Materials Inventory Turnover and Days’ Sales of Raw Materials Inventory 628

15 Job Order Costing and Analysis 652

Job Order Cost Accounting 654
   Cost Accounting System 654
   Job Order Production 654
   Job Order Costing of Services 655
   Events in Job Order Costing 655
   Job Cost Sheet 656

Job Order Cost Flows and Reports 658
   Materials Cost Flows and Documents 658
   Labor Cost Flows and Documents 660
   Overhead Cost Flows and Documents 661
   Summary of Cost Flows 663

Adjusting Factory Overhead 665
   Factory Overhead T-Account 665
   Underapplied or Overapplied Overhead 666

Global View 666
Decision Analysis—Pricing for Services 667

16 Costing and Analysis 692

Process Operations 692
   Comparing Job Order and Process Operations 693
   Organization of Process Operations 693
   GenX Company—An Illustration 693

Process Cost Accounting 695
   Comparing Job Order and Process Cost Accounting Systems 695
   Direct and Indirect Costs 695
   Accounting for Materials Costs 696
   Accounting for Labor Costs 697
   Accounting for Factory Overhead 697

Equivalent Units of Production 699
   Accounting for Goods in Process 699
   Differences in Equivalent Units for Materials, Labor, and Overhead 699
Process Costing Illustration 700
Step 1: Determine the Physical Flow of Units 701
Step 2: Compute Equivalent Units of Production 701
Step 3: Compute the Cost per Equivalent Unit 702
Step 4: Assign and Reconcile Costs 702
Transfers to Finished Goods Inventory and Cost of Goods Sold 705
Trends in Process Operations 707
Global View 707
Decision Analysis—Hybrid Costing System 707
Appendix 16A FIFO Method of Process Costing 709

17 Activity-Based Costing and Analysis 736
Assigning Overhead Costs 738
Plantwide Overhead Rate Method 739
Departmental Overhead Rate Method 740
Activity-Based Costing Rates and Method 743
Applying Activity-Based Costing 744
Step 1: Identify Activities and the Costs They Cause 744
Step 2: Trace Overhead Costs to Cost Pools 745
Step 3: Determine Activity Rates 746
Step 4: Assign Overhead Costs to Cost Objects 746
Assessing Activity-Based Costing 748
Advantages of Activity-Based Costing 748
Disadvantages of Activity-Based Costing 750
ABC for Service Providers 750
Types of Activities 750
Global View 752
Decision Analysis—Customer Profitability 752

18 Cost Behavior and Cost-Volume-Profit Analysis 776
Identifying Cost Behavior 778
Fixed Costs 778
Variable Costs 780
Mixed Costs 780
Step-Wise Costs 780
Curvilinear Costs 781
Measuring Cost Behavior 781
Scatter Diagrams 782
High-Low Method 782
Least-Squares Regression 783
Comparison of Cost Estimation Methods 784
Using Break-Even Analysis 784
Contribution Margin and Its Measures 784
Computing the Break-Even Point 785
Computing the Margin of Safety 786
Preparing a Cost-Volume-Profit Chart 787
Making Assumptions in Cost-Volume-Profit Analysis 788
Applying Cost-Volume-Profit Analysis 789
Computing Income from Sales and Costs 789
Computing Sales for a Target Income 790
Using Sensitivity Analysis 792
Computing a Multiproduct Break-Even Point 793
Global View 795
Decision Analysis—Degree of Operating Leverage 795
Appendix 18A Using Excel to Estimate Least-Squares Regression 797

19 Variable Costing and Performance Reporting 814
Introducing Variable Costing and Absorption Costing 816
Computing Unit Cost 817
Performance Reporting (Income) Implications 818
Units Produced Equal Units Sold 818
Units Produced Exceed Units Sold 820
Units Produced Are Less Than Units Sold 821
Summarizing Income Reporting 822
Converting Income under Variable Costing to Absorption Costing 823
Comparing Variable Costing and Absorption Costing 823
  Planning Production 823
  Setting Prices 825
  Controlling Costs 826
  Limitations of Reports Using Variable Costing 826
  Variable Costing for Service Firms 827
Global View 827
Decision Analysis—Break-Even Analysis 827

20 Master Budgets and Performance Planning 846

Budget Process 848
  Strategic Budgeting 848
  Benchmarking Budgets 848
  Budgeting and Human Behavior 849
  Budgeting as a Management Tool 849
  Budgeting Communication 849
Budget Administration 850
  Budget Committee 850
  Budget Reporting 850
  Budget Timing 851
Master Budget 852
  Master Budget Components 852
  Operating Budgets 854
  Capital Expenditures Budget 858
  Financial Budgets 858
Global View 862
Decision Analysis—Activity-Based Budgeting 862
Appendix 20A Production and Manufacturing Budgets 868

21 Flexible Budgets and Standard Costs 894

SECTION 1—FLEXIBLE BUDGETS 896
Budgetary Process 896
  Budgetary Control and Reporting 896
  Fixed Budget Performance Report 897
  Budget Reports for Evaluation 898
Flexible Budget Reports 898
  Purpose of Flexible Budgets 898
  Preparation of Flexible Budgets 898
  Flexible Budget Performance Report 900
SECTION 2—STANDARD COSTS 901
Materials and Labor Standards 902
  Identifying Standard Costs 902
  Setting Standard Costs 902
Cost Variances 903
  Cost Variance Analysis 903
  Cost Variance Computation 903
  Computing Materials and Labor Variances 904
Overhead Standards and Variances 907
  Setting Overhead Standards 907
  Predicting Activity Levels 908
  Computing Overhead Cost Variances 908
Global View 910
Decision Analysis—Sales Variances 911
Appendix 21A: Expanded Overhead Variances and Standard Cost Accounting System 916
22 Performance Measurement and Responsibility Accounting 940

Responsibility Accounting 942
- Motivation for Departmentalization 942
- Departmental Evaluation 942
- Controllable versus Uncontrollable Costs 943

Cost Centers 944
- Responsibility Accounting System 944
- Evaluating Cost Center Performance 944

Profit Center 945
- Direct and Indirect Expenses 945
- Allocation of Indirect Expenses 946
- Departmental Income Statements 947
- Departmental Contribution to Overhead 951

Evaluating Investment Center Performance 953
- Financial Performance Evaluation Measures 953
- Nonfinancial Performance Evaluation Measures 955

Global View 957
- Decision Analysis—Cycle Time and Cycle Efficiency 957
- Appendix 22A Transfer Pricing 961
- Appendix 22B Joint Costs and Their Allocation 962

23 Relevant Costing for Managerial Decisions 984

Decisions and Information 986
- Decision Making 986
- Relevant Costs 986

Managerial Decision Scenarios 987
- Additional Business 987
- Make or Buy 989
- Scrap or Rework 990
- Sell or Process 990
- Sales Mix Selection 991
- Segment Elimination 993
- Keep or Replace Equipment 993
- Qualitative Decision Factors 994

Decision Analysis—Setting Product Price 994

24 Capital Budgeting and Investment Analysis 1014

Introduction to Capital Budgeting 1016
- Methods Not Using Time Value of Money 1016
  - Payback Period 1016
  - Accounting Rate of Return 1019
- Methods Using Time Value of Money 1020
  - Net Present Value 1020
  - Internal Rate of Return 1023
  - Comparison of Capital Budgeting Methods 1025

Global View 1026
- Decision Analysis—Break-Even Time 1026
- Appendix 24A Using Excel to Compute Net Present Value and Internal Rate of Return 1029

Appendix A
- Financial Statement Information A-1
  - Polaris A-2
  - Arctic Cat A-10
  - KTM A-14
  - Piaggio A-18

Appendix B
- Time Value of Money B

Appendix C
- Investments and International Operations C

*Appendix D
- Accounting for Partnerships

*Appendix E
- Accounting with Special Journals

Glossary G
Credits CR
Index IND
Chart of Accounts CA

* Appendices D&E are available on the book’s Website, mhhe.com/wildFINMAN5e, and as print copy from a McGraw-Hill representative.
Financial and Managerial Accounting

INFORMATION FOR DECISIONS