I dedicate this book to the best teachers I’ve ever had: my Mom and Dad, Barb, Harrison, and Daniel

FRED PHILLIPS

Jenni, John, and Emma Rose Drago, Herman and Doris Hargenrater, Laura Libby, Oscar and Selma Libby

PATRICIA AND ROBERT LIBBY
Fred Phillips
Fred Phillips is a professor and the George C. Baxter Chartered Accountants of Saskatchewan Scholar at the University of Saskatchewan, where he teaches introductory financial accounting. He also has taught introductory accounting at the University of Texas at Austin and the University of Manitoba. Fred has an undergraduate accounting degree, a professional accounting designation, and a PhD from the University of Texas at Austin. He previously worked as an audit manager at KPMG.

Fred’s main interest is accounting education. He has won 11 teaching awards, including three national case-writing competitions. Recently, Fred won the 2007 Alpha Kappa Psi Outstanding Professor award at the University of Texas at Austin, and in 2006, he was awarded the title Master Teacher at the University of Saskatchewan. He has published instructional cases and numerous articles in journals such as *Issues in Accounting Education*, *Journal of Accounting Research*, and *Organizational Behavior and Human Decision Processes*. He received the American Accounting Association’s Outstanding Research in Accounting Education Award in 2006 and 2007 for his articles. Fred is a past associate editor of *Issues in Accounting Education*, and a current member of the Teaching, Curriculum, & Learning and Two-Year College sections of the American Accounting Association. In his spare time, he likes to work out, play video games, and drink iced cappuccinos.

Robert Libby
Robert Libby is the David A. Thomas Professor of Accounting at Cornell University, where he teaches the introductory financial accounting course. He previously taught at the University of Illinois, Pennsylvania State University, the University of Texas at Austin, the University of Chicago, and the University of Michigan. He received his BS from Pennsylvania State University and his MAS and PhD from the University of Illinois; he also is a CPA.

Bob is a widely published author specializing in behavioral accounting. He was selected as the AAA Outstanding Educator in 2000 and received the AAA Outstanding Service Award in 2006. His prior text, *Accounting and Human Information Processing* (Prentice Hall, 1981), was awarded the AICPA/AAA Notable Contributions to the Accounting
Literature Award. He received this award again in 1996 for a paper. He has published numerous articles in *The Accounting Review, Journal of Accounting Research, Accounting, Organizations, and Society*; and other accounting journals. He has held a variety of offices in the American Accounting Association and is a member of the American Institute of CPAs and the editorial boards of *The Accounting Review, Accounting, Organizations, and Society, Journal of Accounting Literature*, and *Journal of Behavioral Decision Making*.

**Patricia A. Libby**

Patricia Libby is associate professor of accounting and coordinator of the financial accounting course at Ithaca College, as well as faculty advisor to Beta Alpha Psi, Ithaca College Accounting Association, and Ithaca College National Association of Black Accountants. She previously taught graduate and undergraduate financial accounting at Eastern Michigan University and the University of Texas at Austin. Before entering academe, she was an auditor with Price Waterhouse (now PricewaterhouseCoopers) and a financial administrator at the University of Chicago. She received her BS from Pennsylvania State University, her MBA from DePaul University, and her PhD from the University of Michigan; she also is a CPA.

Pat conducts research on using cases in the introductory course and other parts of the accounting curriculum. She has published articles in *The Accounting Review, Issues in Accounting Education*, and *The Michigan CPA*. She has also conducted seminars nationwide on active learning strategies, including cooperative learning methods.
Focused on Financial Accounting in the Context of Real Business

The second edition of Phillips/Libby/Libby Fundamentals of Financial Accounting was a great success, thanks to the ideas and direction provided by a dedicated panel of reviewers, many students, and a host of talented contributors. It was named “Revision of the Year” across all of McGraw-Hill’s business and economics textbooks.

The third edition furthers our commitment to providing the best accounting textbook for teaching and learning financial accounting. With its innovative student-centered approach, unique and interactive pedagogical tools, and compelling instructor and student resources, no other text presents financial accounting in such a clear and student-friendly manner. The keys to its success:

ENGAGING WRITING. Fundamentals of Financial Accounting introduces students to financial accounting using an appropriate mix of conversational wording, clear and concise presentations, and everyday examples. It does this without ever sacrificing its rigor or the concepts that are important to grasping financial accounting. Students can feel comfortable as they are introduced to the world of financial accounting.

RELEVANT FOCUS COMPANIES. Each chapter of Fundamentals of Financial Accounting makes financial accounting come alive by using a real company whose products and services are popular with students. Students learn financial accounting concepts through the use of examples from such companies as American Eagle (clothing), Activision (video games), Skechers (shoes), and Under Armour (sportswear).

THE POWER OF REINFORCEMENT. Several tools help reinforce the concepts discussed in the text. Coach’s Tips and You Should Know are innovative and student-friendly pedagogical features that appear in the margins to reinforce concepts in the text as well as offer helpful insight.

“This book is an easy and informative book. It contains many examples that would appeal to students which in turn makes them more likely to read. . . . Your problems are outstanding and it makes it so helpful when you include similar problems to allow the professor to be able to go through one and assign another that is almost identical, but uses different numbers. Overall, it is one of the best books I have seen or reviewed. The authors have done an outstanding job with this text! . . . It beats out all other books I have seen thus far.”

—Stephen Benner, Eastern Illinois University
Dedicated to Student Motivation and Success

The accounting world is encountering new challenges and Fundamentals of Financial Accounting aims to help you and your students take them in stride. You will find some important changes in the third edition that will give your students the tools and information necessary to help them succeed. Based on the feedback and advice from several financial accounting faculty, the most significant of those changes include:

- **The entrepreneurial focus company in Chapter 1 has been extended through Chapters 2, 3, and 4,** allowing students to see how a business plan (Chapter 1) leads to actual financing and investing decisions (Chapter 2), operating activities (Chapter 3), and adjustments made prior to evaluating the financial results (Chapter 4). Students emerge from the first four chapters with a solid understanding of how the accounting process plays a pivotal role in business.

- **Anticipating a greater emphasis on International Financial Reporting Standards (IFRS) in the United States and recognizing its presence in more than 100 countries worldwide,** we have integrated selected IFRS topics in appropriate chapters at a level suitable for introductory financial accounting. We summarize these topics at the end of the last chapter in the book (in chapter supplement 13B) and we tie this summary to specific references in each chapter. To support discussions and analyses involving IFRS, we have introduced more than 20 questions and exercises in end-of-chapter assignments that specifically focus on IFRS.

- **Phillips/Libby/Libby 3e introduces all of the financial statements in the first chapter, then utilizes debits and credits combined with increases and decreases for transactions affecting the balance sheet, and then reinforces the methodology when presenting the transactions affecting the income statement in Chapter 3. This area is the toughest for students and requires the most practice. Phillips understands this and expertly navigates through the two statements and demonstrates how the two interconnect and depend upon each other, setting the stage for an easier adjustment and closing process ahead.**

—Margaret Costello Lambert, Oakland Community College

—Lisa Thornton, Truckee Meadows Community College

*The authors did a great job of explaining the importance of financial reporting in the world economy—from the smallest business to the largest.*

—Tim Mills, Eastern Illinois University

[Chapter 2] provides **exceptionally clear steps for analyzing accounting transactions.** I particularly like the fact that the chapter focuses on transactions that impact only the balance sheet, leaving for later transactions that impact the income statement. I believe this approach will enable students to more readily grasp a concept that confuses many.

—Lisa Thornton, Truckee Meadows Community College
This chapter describes the environment in which financial statements are used, and introduces common ratio analyses.

As you have seen in Chapters 1 through 4, accounting plays a vital role when establishing and operating a small business like Pizza Aroma. Chapter 5 will continue to broaden your understanding by looking at the role accounting plays in large public companies that carry out their business activities in many cities and countries throughout the world. As you will learn in this chapter, accounting is actually one of the most pressure-filled, fast-paced elements of business. In the past 10 years alone, the accounting world has tackled frauds and scandals, increasing regulation, globalization, and economic turmoil. The purposes of this chapter are to explain these four major topics and begin to equip you with tools that will help you use financial statement information.

In keeping with the theme that accounting can be useful and fun, we focus on an exciting company that is bringing smiles to people of all ages, whether they live in India, China, or Europe, or the home of its headquarters in Santa Monica, California. Activision started as a private company in 1979, went public in 1983, survived economic troubles in the late 1980s, and became known as Activision Blizzard in late 2008 when it merged with a European video game company (Vivendi Games) to create the world’s largest video game company. Famous for its Guitar Hero® video games and World of Warcraft® online role-playing game, Activision Blizzard provides an ideal background for learning about the role of accounting in business and the ways in which U.S. accounting rules are changing to become more comparable with those used in Europe and other countries throughout the world.

**Focus Company: Activision**

**www.activision.com**

Not all students learn financial accounting with ease. With so many distractions these days, it is difficult to keep both majors and non-majors focused on the big picture. The authors of Fundamentals of Financial Accounting understand the challenges instructors face and the need for a financial accounting text that is relevant, easy to read, and current.

Fundamentals of Financial Accounting responds by using carefully chosen focus companies that students not only recognize but are familiar with because they have visited or used their products. From companies like the local pizza restaurant to the world’s most familiar businesses, each chapter features the business and accounting concepts underlying prominent companies such as Walmart, Activision, Cedar Fair, American Eagle, National Beverage, Under Armour, and General Mills.

Through crisp, clear, and engaging writing, the financial decisions these companies make and the financial statements they use come alive for students and they are able to see the big picture of how accounting relates to the real world—their world.
Whether you’re presenting, discussing, or problem solving, you want materials that will motivate students and hold their interest. Motivating today’s students requires materials that connect them with the workplace and encourage them to think about course topics before, during, and after class. *Fundamentals of Financial Accounting* offers students many tools to help reinforce the concepts discussed throughout the text.

**Coach’s Tips**

Every student needs encouragement and Coach’s Tips are just one way *Fundamentals of Financial Accounting* fulfills that need. Coach’s Tips appear throughout the text and in selected end-of-chapter problems to offer tips, advice, and suggestions.

**How’s it going?**

**Self-Study Practice**

Research shows that students learn best when they are actively engaged in the learning process. This active learning feature engages the student, provides interactivity, and promotes efficient learning. These quizzes ask students to pause at strategic points throughout each chapter to ensure they understand key points before moving ahead.

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“*I really liked the discussions on fraud, SOX and IFRS. These are important topics which really must be addressed.* (Chapter 5) *does a great job in addressing timely topics*—why financial statements have failed in the past and how we are addressing weaknesses of the statements, and what to anticipate in the future. *Your discussion on IFRS was great.*

—Linda K. Whitten, Skyline College
Spotlight Features

Each chapter includes Spotlight features focusing on business decisions, ethics, internal controls, financial reporting, and the world (IFRS). These features are designed to further engage students and provide instructors with material for in-class discussion.

Spotlight On BUSINESS DECISIONS

When determining how to help struggling banks in 2009, the U.S. Treasury Department used a “stress test” to forecast the financial effects of deteriorating economic conditions, including the extent to which each banking company would have sufficient stockholders’ equity on the balance sheet to absorb the losses that it would report on the income statement if home prices were to fall or unemployment rates were to rise.

Spotlight On FINANCIAL REPORTING

The Makeup of Net Sales

As you can see in Exhibit 6.10, the amount of gross revenue reported on internal financial statements is larger than the gross revenue reported on external financial statements. Usually, the difference is explained by contra-revenue accounts. Instead, externally reported income statements begin with revenue accounts. Instead, externally reported income statements almost never include contra-revenues when they are present on internal financial statements. External financial statement users can still conduct useful financial statement analyses, as we’ll see in the next section.

Spotlight On CONTROLS

Granny Does Time

It seems some managers—specifically those at Computer Associates (CA)—haven’t learned the time period assumption. CA was charged with financial statement fraud for improperly recording 35 days of sales in September—a month that has only 30 days. To make it look like managers had met their September sales targets, CA included the first five days of sales from October in its September income statement. This accounting fraud led managers to be paid bonuses they hadn’t earned and tricked investors into thinking CA was a successful company. When the truth was revealed later, CA’s stockholders quickly abandoned the company, causing its stock price to fall 43 percent in a single day. CA ultimately paid stockholders $225 million to make up for its bad accounting and agreed to ensure all inappropriate management bonuses were paid back to the company. In addition, several marketing and accounting personnel were sent to jail. Proper revenue reporting is obviously a very serious matter.

Spotlight On ETHICS

35 Days Hath September?

It seems some managers—specifically those at Computer Associates (CA)—haven’t learned the time period assumption. CA was charged with financial statement fraud for improperly recording 35 days of sales in September—a month that has only 30 days. To make it look like managers had met their September sales targets, CA included the first five days of sales from October in its September income statement. This accounting fraud led managers to be paid bonuses they hadn’t earned and tricked investors into thinking CA was a successful company. When the truth was revealed later, CA’s stockholders quickly abandoned the company, causing its stock price to fall 43 percent in a single day. CA ultimately paid stockholders $225 million to make up for its bad accounting and agreed to ensure all inappropriate management bonuses were paid back to the company. In addition, several marketing and accounting personnel were sent to jail. Proper revenue reporting is obviously a very serious matter.

• Spotlight on Business Decisions—helps students develop strong decision-making skills by illustrating the relevance of accounting in real-world decision making and the lessons learned from the global economic crisis.

• Spotlight on Financial Reporting—connects chapter topics with real-world disclosures provided in the financial statements of our focus companies and other contrast companies.

• Spotlight on Controls—highlights applications of internal control principles in the workplace.

• Spotlight on Ethics—emphasizes ethical issues faced in business and the importance of acting responsibly.
Videos

Selected Spotlight on Ethics and Financial Reporting features are brought to life in 4-5 minute newsmagazine-style videos, which are available on the text Online Learning Center www.mhhe.com/phillips3e. These investigative videos written by Fred Phillips tie to specific topics in Fundamentals of Financial Accounting. Bring business and accounting into your classroom in a way that is sure to engage students and get them talking about the stories in your textbook.

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Video Title</th>
<th>Video Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chapter 3 (page 99)</td>
<td>Time Is Money</td>
<td>In 2000-01, Computer Associates violated the time period assumption in order to present a picture of smooth, steady growth. This video illustrates the effect of shifting sales from one period to another and asks students to discuss its impact.</td>
</tr>
<tr>
<td>Chapter 4 (page 169)</td>
<td>Anatomy of a Business Failure</td>
<td>Circuit City once was a leading electronics retailer. But, as this video demonstrates, the company’s financial problems led to a free-fall in the company’s stock price. This video walks students through the series of events that ultimately ended when Circuit City liquidated in January 2009.</td>
</tr>
<tr>
<td>Chapter 6 (page 268)</td>
<td>Granny Does Time</td>
<td>After twelve years of honest bookkeeping, a grandmother begins embezzling from her employer by writing checks to herself, recording them as inventory purchases, and then destroying them when preparing the bank reconciliation. This is a must-see video for future business owners and financial advisers because it underscores the importance of internal controls over cash and inventory.</td>
</tr>
<tr>
<td>Chapter 7 (page 320)</td>
<td>Dodging Bullets</td>
<td>Body armor made by DHB Industries in 2004-05 for the U.S. Marines and local police departments did not meet quality standards. Knowing the impact of an inventory writedown, DHB tried to conceal its problems. By telling these events, this video invites students to consider how fraudulent actions may put innocent people in harm’s way.</td>
</tr>
<tr>
<td>Chapter 8 (page 371)</td>
<td>Resetting the Clock</td>
<td>This video describes how a credit manager at MCI used his knowledge of the allowance method to avoid recording $70 million in bad debts. The video shows students how small initial missteps led the credit manager to redirect his genuine ambition into criminal actions, which ended in a prison sentence and personal ruin.</td>
</tr>
<tr>
<td>Chapter 9 (page 404)</td>
<td>Simple Violations, Serious Consequences</td>
<td>This video describes how the simple act of capitalizing expenses enabled WorldCom to mislead financial statement users. Students are invited to consider the judgment inherent in many seemingly simple accounting decisions.</td>
</tr>
</tbody>
</table>

I thought the coverage on fraud and SOX was very good. Also, the inclusion of GAAP vs. IFRS. This is the first textbook that I have read that covers this very important issue. The information presented was easy to read and understand.

—Victoria White, Ivy Tech Community College of Indiana—Evansville
To effectively evaluate and guide student success with the appropriate feedback, you need homework & test materials that are easy to use and tied to the chapter discussions.

Each chapter of Fundamentals of Financial Accounting is followed by an extensive variety of end-of-chapter material that applies and integrates topics presented in the chapter. We have retained many of the popular items from prior editions and added new types of end-of-chapter materials including a Homework Helper, multiple-perspective discussion questions, comprehensive problems, and continuing cases.

Chapter Summary
Each chapter concludes with an end-of-chapter summary, organized by chapter learning objective, that revisits the learning objectives from the beginning of the chapter.

Key Terms
Includes key terms, definitions, and page references. Full definitions for all key terms are found in the back of the text.

Homework Helper
Immediately precedes each chapter’s homework materials, highlighting subtleties discussed in the chapter and providing practice advice so that students can avoid common pitfalls when completing homework.

**It was very readable throughout making it more likely that students will pick it up and use it. Features like the Homework Helper section also make sure to point out helpful tips and clarifications.**

~Amy Bentley,
Tallahassee Community College
Multiple-Choice Questions
Each chapter includes 10 multiple-choice questions that let students practice basic concepts. Solutions for these questions are provided in the back of the text.

Mini-Exercises
These assignments illustrate and apply a single learning objective from the chapter.

Exercises
These additional assignments illustrate and apply single and multiple learning objectives from the chapter.

Problems (Coached, Set A, and Set B)
Each chapter includes three problem sets to help students develop decision-making skills. Coached problems include question-specific tips to assist students who need a little help getting started. Sets A and B are similar problems but without the coaching.

Comprehensive Problems
Selected chapters include problems that cover topics from earlier chapters to refresh, reinforce, and build an integrative understanding of the course material. These are a great resource for helping students stay up-to-date throughout the course.

Skills Development Cases
Each chapter offers cases designed to help students develop analytical, critical thinking, and technology skills. These cases are ideal for individual assignments, class discussions, and group projects.
Continuing Case

In Chapter 1, students are introduced to Nicole’s Getaway Spa (NGS). In each chapter, the continuing case feature extends this case and requires students to apply topics from the current chapter.

CONTINUING CASE

CC1 Financial Statements for a Business Plan

Nicole Mackisey is thinking of forming her own spa business, Nicole’s Getaway Spa (NGS). Nicole expects that she and two family members will each contribute $10,000 to the business and receive 1,000 shares each. Nicole forecasts the following amounts for the first year of operations, ending December 31, 2010: Cash on hand and in the bank, $2,150; amounts due from customers from spa treatments, $1,780; building and equipment, $70,000; amounts owed to beauty supply outlets for spa equipment, $4,660; notes payable to a local bank for $38,870. Cash dividends of $2,000 will be paid to the stockholders during the year. Nicole also forecasts that first year sales revenues will be $40,000; wages will be $24,000; the cost of supplies used up will be $7,000; selling and administrative expenses will be $5,000; and income taxes will be $1,600.

Required:
1. Based on Nicole’s estimates, prepare a (forecasted) income statement for Nicole’s Getaway Spa for the year ended December 31, 2010.

iPod Downloadable Content

Fundamentals of Financial Accounting is a media-integrated textbook that provides students with portable educational contents—just right for those students who want to study when and where it’s most convenient for them. Students have the option to download content for review and study to their Apple® iPods and most other MP3 and MP4 devices. iPod icons appear throughout the text, pointing students to chapter-specific audio lecture presentations slides, course-related videos, and multiple-choice practice questions.

The following icons appear throughout the chapter and end of chapter. All iPod content can be downloaded to iPod, Zune, or MP3 devices (audio and visual depending on your device). Refer to the Online Learning Center, www.mhhe.com/phillips3e, to download content and to access Excel templates.

Lecture Presentation—LP1
www.mhhe.com/phillips3e
Lecture Presentation slides allow for study before and after class.

Video—V1
www.mhhe.com/phillips3e
Topical videos are directly related to the chapter discussions.

Quiz 1
www.mhhe.com/phillips3e
Multiple-choice quizzes provide additional practice.

Excel
www.mhhe.com/phillips3e
Excel templates are tied to selected end-of-chapter assignments designated with this icon.
What's New in the Third Edition?

In response to the feedback and guidance from numerous financial accounting faculty, *Fundamentals of Financial Accounting, 3e* includes several important new changes, including new chapter openers, 140 new end-of-chapter assignments, and refinements and updates to over 400 remaining questions, exercises, problems, and cases. Several new features are introduced in this edition, including Spotlight features (see page x), Homework Helper, multi-perspective discussion questions, continuing cases, comprehensive problems, and questions, exercises, and problems that specifically relate to IFRS, the global economic crisis, and XBRL.

**CHAPTER 1**
Focus Company: Pizza Aroma, Inc.
- Revised conceptual framework discussion
- Introduction of IFRS
- New ethical conduct discussion

**CHAPTER 2**
New Focus Company: Pizza Aroma, Inc.
- New visuals to demonstrate transaction analysis steps
- IFRS spotlight on transaction analysis and the role of principles versus rules
- New discussion of surviving the credit crisis with a strong balance sheet
- Introduction of the current ratio

**CHAPTER 3**
New Focus Company: Pizza Aroma, Inc.
- New visual to demonstrate operating cycle transactions
- New Spotlight on Ethics video explaining Computer Associates’s violation of the time period assumption

**CHAPTER 4**
New Focus Company: Pizza Aroma, Inc.
- New visuals to illustrate the analyses required in making adjustments
- New Spotlight on Financial Reporting video depicting Circuit City’s slide into bankruptcy

**CHAPTER 5**
Focus Company: Activision Blizzard
- New Spotlight on Business Decisions explaining accounting’s role in the Treasury Department’s stress test for banks
- New Self-Study Practice on financial statement articulation
- New Spotlight on Financial Reporting introducing XBRL
- New section on financial statement presentation under GAAP and IFRS
- New financial statement analyses, including two U.S. companies and one European competitor
- New section explaining how transactions affect ratios

**CHAPTER 6**
Focus Company: Walmart
- New section and visuals applying control principles to cash transactions
- Revised Spotlight on Controls focusing on granny fraud video
- Inventory purchasing moved to Chapter 7

**CHAPTER 7**
New Focus Company: American Eagle Outfitters
- New chapter opener
- 2 new Self-Study Practice features
- New visuals to demonstrate and contrast inventory costing methods
- New Spotlight on IFRS and Spotlight on Ethics (with video) describing an inventory valuation fraud at DHB Industries
- Three chapter supplements are included to demonstrate inventory costing in a perpetual system (A), explain inventory error effects (B), and contrast inventory recording under periodic and perpetual systems (C).

**CHAPTER 8**
Focus Company: Skechers
- New Spotlight on Business Decisions depicting the significance of bad debts to Target’s decision to grant credit to individual consumers during difficult economic times
• Percentage of sales moved from chapter supplement to body of chapter
• New Spotlights on using an aging schedule to focus collection efforts and on comparing stated credit terms to turnover analyses
• New video to support Spotlight discussing a credit manager’s accounting fraud at MCI

CHAPTER 9
Focus Company: Cedar Fair
• Partial year depreciation is now integrated into the chapter
• 2 new Spotlights discussing IFRS’s accounting for component costs, R&D, and fair value

CHAPTER 10
Focus Company: General Mills
• New section highlighting the vital role of liabilities in financing a business
• New visuals and discussion of payroll, new visuals to demonstrate bond amortization
• New Spotlight on bond pricing
• New Spotlight on IFRS thresholds for recording contingent liabilities
• New section on the quick ratio
• New Spotlight on surviving a financial crunch

CHAPTER 11
New Focus Company: National Beverage
• New Spotlights on dividend cuts and choosing between stock dividends and stock splits
• New Spotlight on preferred stock classification

CHAPTER 12
New Focus Company: Under Armour
• New Spotlights contrasting cash flows and net income for W. T. Grant and Lehman Brothers
• New Spotlight contrasting classification of dividends and interest under GAAP and IFRS
• New illustrations contrasting indirect and direct methods using Under Armour’s financials
• Detailed discussion of direct method moved to last topic in chapter body

CHAPTER 13
New Focus Company: Lowe’s
• More prominent placement for vertical analysis
• New Spotlight comparing Lowe’s GAAP accounting policies with the IFRS accounting policies of Europe’s largest home improvement retailer (Kingfisher)

APPENDIX A
New Focus Company: The Home Depot
We selected Home Depot as the new focus company because its operations are familiar to students, its financial statements are relatively straightforward, and it reveals the impact of a financial downturn (while still reporting a profit, which helps to avoid potentially confusing ratios).

APPENDIX B
New Focus Company: Lowe’s
We selected Lowe’s as the new focus company because in terms of operations, geography, and size, Lowe’s is a close competitor to The Home Depot.

APPENDIX C
New graphic to show the power of compounding and new section demonstrating present value computations using Excel

APPENDIX D
New Focus Company: Washington Post
The introduction and appendix outline are presented in the body of the text, while the detailed discussions and illustrations are available for download from the textbook’s Online Learning Center www.mhhe.com/phillips3e
McGraw-Hill Connect Accounting
LESS MANAGING. MORE TEACHING. GREATER LEARNING.

**McGRAW-HILL CONNECT ACCOUNTING FEATURES**

*Connect Accounting* offers a number of powerful tools and features to make managing assignments easier, so faculty can spend more time teaching. With *Connect Accounting* students can engage with their coursework anytime and anywhere, making the learning process more accessible and efficient. *Connect Accounting* offers you the features described below.

**Simple assignment management**

With *Connect Accounting*, creating assignments is easier than ever, so you can spend more time teaching and less time managing. The assignment management function enables you to:

- Create and deliver assignments easily with selectable end-of-chapter questions and test bank items.
- Streamline lesson planning, student progress reporting, and assignment grading to make classroom management more efficient than ever.
- Go paperless with the eBook and online submission and grading of student assignments.

**Smart grading**

When it comes to studying, time is precious. *Connect Accounting* helps students learn more efficiently by providing feedback and practice material when they need it, where they need it. When it comes to teaching, your time also is precious. The grading function enables you to:

- Have assignments scored automatically, giving students immediate feedback on their work and side-by-side comparisons with correct answers.

▲▲

**Leading Technology Extends Learning Beyond the Classroom**

*McGraw-Hill Connect Accounting* is an online assignment and assessment solution that connects students with the tools and resources they'll need to achieve success.

*McGraw-Hill Connect Accounting* helps prepare students for their future by enabling faster learning, more efficient studying, and higher retention of knowledge.
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:

- eBook
- PowerPoint files
- Videos

Student Study Center

The Connect Accounting Student Study Center is the place for students to access additional resources. The Student Study Center:

- Offers students quick access to lectures, practice materials, eBooks, and more.
- Provides instant practice material and study questions, easily accessible on the go.
- Gives students access to the Personal Learning Plan described below.

Personal Learning Plan

The Personal Learning Plan (PLP) connects each student to the learning resources needed for success in the course. For each chapter, students:

- Take a practice test to initiate the Personal Learning Plan.
- Immediately upon completing the practice test, see how their performance compares to chapter learning objectives or content by sections within chapters.
- Receive a Personal Learning Plan that recommends specific readings from the text, supplemental study material, and practice work that will improve their understanding and mastery of each learning objective.

Diagnostic and adaptive learning of concepts: LearnSmart

Students want to make the best use of their study time. The LearnSmart adaptive self-study technology within Connect Accounting provides students with a seamless combination of practice, assessment, and remediation for every concept in the textbook. LearnSmart’s intelligent software adapts to every student response and automatically delivers concepts that advance the student’s understanding while reducing time devoted to the concepts already mastered. The result for every student is the fastest path to mastery of the chapter concepts.

LearnSmart

- Applies an intelligent concept engine to identify the relationships between concepts and to serve new concepts to each student only when he or she is ready.
Adapts automatically to each student, so students spend less time on the topics they understand and more practice time on those they have yet to master.

- Provides continual reinforcement and remediation, but gives only as much guidance as students need.
- Integrates diagnostics as part of the learning experience.
- Enables you to assess which concepts students have efficiently learned on their own, thus freeing class time for more applications and discussion.

Student progress tracking

*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 progress-tracking 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.

Lecture capture

Increase the attention paid to lecture discussion by decreasing the attention paid to note taking. For an additional charge Lecture Capture offers new ways for students to focus on the in-class discussion, knowing they can revisit important topics later. For more information on lecture capture capabilities in *Connect Accounting*, see the discussion of Tegrity, on this page.

McGraw-Hill Connect Plus Accounting

McGraw-Hill reinvents the textbook learning experience for the modern student with *Connect Plus Accounting*.

A seamless integration of an eBook and *Connect Accounting*, *Connect Accounting Plus Accounting* provides all of the *Connect Accounting* features plus the following:

- An integrated eBook, allowing for anytime, anywhere access to the textbook.
- Dynamic links between the problems or questions you assign to your students and the location in the eBook where that problem or question is covered.
- A powerful search function to pinpoint and connect key concepts in a snap.

In short, *Connect Accounting* offers you and your students powerful tools and features that optimize your time and energies, enabling you to focus on course content, teaching, and student learning. *Connect Accounting* also offers a wealth of content resources for both instructors and students. This state-of-the-art, thoroughly tested system supports you in preparing students for the world that awaits.

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Prepared by Jeannie Folk at College of DuPage. Includes overviews of chapter topics and resources to help you prepare for class. It describes the ready-to-use resources that support the text (including synchrosummaries) and presents other enrichment resources, including innovative active learning exercises that you can use in class. This manual is a must-read for any instructor interested in improving teaching evaluations. Available on the Instructor CD-ROM and text Web site.
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Many educational institutions today are focused on the notion of assurance of learning, an important element of some accreditation standards. Fundamentals of Financial Accounting is designed specifically to support your assurance of learning initiatives with a simple, yet powerful solution.

Each test bank question for Fundamentals of Financial Accounting maps to a specific chapter learning objective listed in the text. You can use our test bank software, EZ Test and EZ Test Online, or Connect Accounting 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 or Connect Accounting to aggregate student results in a similar fashion, making the collection and presentation of assurance of learning data simple and easy.

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The statements contained in Fundamentals of Financial Accounting are provided only as a guide for the users of this textbook. The AACSB leaves content coverage and assessment within the purview of individual schools, the mission of the school, and the faculty. While Fundamentals of Financial Accounting and the teaching package make no claim of any specific AACSB qualification or evaluation, within the Test Bank to accompany Fundamentals of Financial Accounting we have labeled selected questions according to the six general knowledge and skill areas.
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Prepared by J. Lowell Mooney at Georgia Southern University. This tool provides answers to select problems and cases. Check Figures are located on the text's Online Learning Center.

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ISBN: 0077269691

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☑️ **McGraw-Hill’s Connect Accounting**

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Advice on Using Your Textbook

What does it take to do well in your Financial Accounting course? Our research finds that the way you read and use your textbook can have a major impact on your course performance. The following graphic summarizes our primary findings, which suggest four things you can do to improve your chances of earning a good grade.

1. **Read the chapters to learn rather than just to get through them.** Learning doesn’t miraculously occur just because your eyes have skimmed all the assigned lines of the textbook. You have to think and focus while reading to sink the material into your understanding and memory. Use the text’s learning objectives to focus on what’s really important in the chapters.

2. **Don’t be discouraged if you initially find some material challenging to learn.** At one time or another, both the best and weakest students describe themselves as “confused” and “having a good grasp of the material,” “anxious” and “confident,” and “overwhelmed” and “comfortable.” The simple fact is that, for anyone, learning new material can be challenging and initially confusing. Success does not depend as much on whether you become confused as it does on what you do when you become confused.

3. **Clear up confusion as it arises.** A key difference between the most and least successful students is how they respond to difficulty and confusion. When successful students are confused or unsure, they immediately try to enhance their understanding through rereading, self-testing, and seeking outside help if necessary. In contrast, unsuccessful students try to reduce anxiety by delaying further reading or by resorting to memorizing without understanding. Aim to clear up confusion when it arises because accounting in particular is a subject for which your understanding of later material depends on your understanding of earlier material.

4. **Think of reading as the initial stage of studying.** Abandon the idea that “studying” only occurs during the final hours before an exam. By initially reading with the same intensity that occurs when later reviewing for an exam, you can create extra time for practicing exercises and problems. This combination of concentrated reading and extensive practice is likely to contribute to better learning and superior exam scores.

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