



Nineteenth Edition

Financial & Managerial Accounting

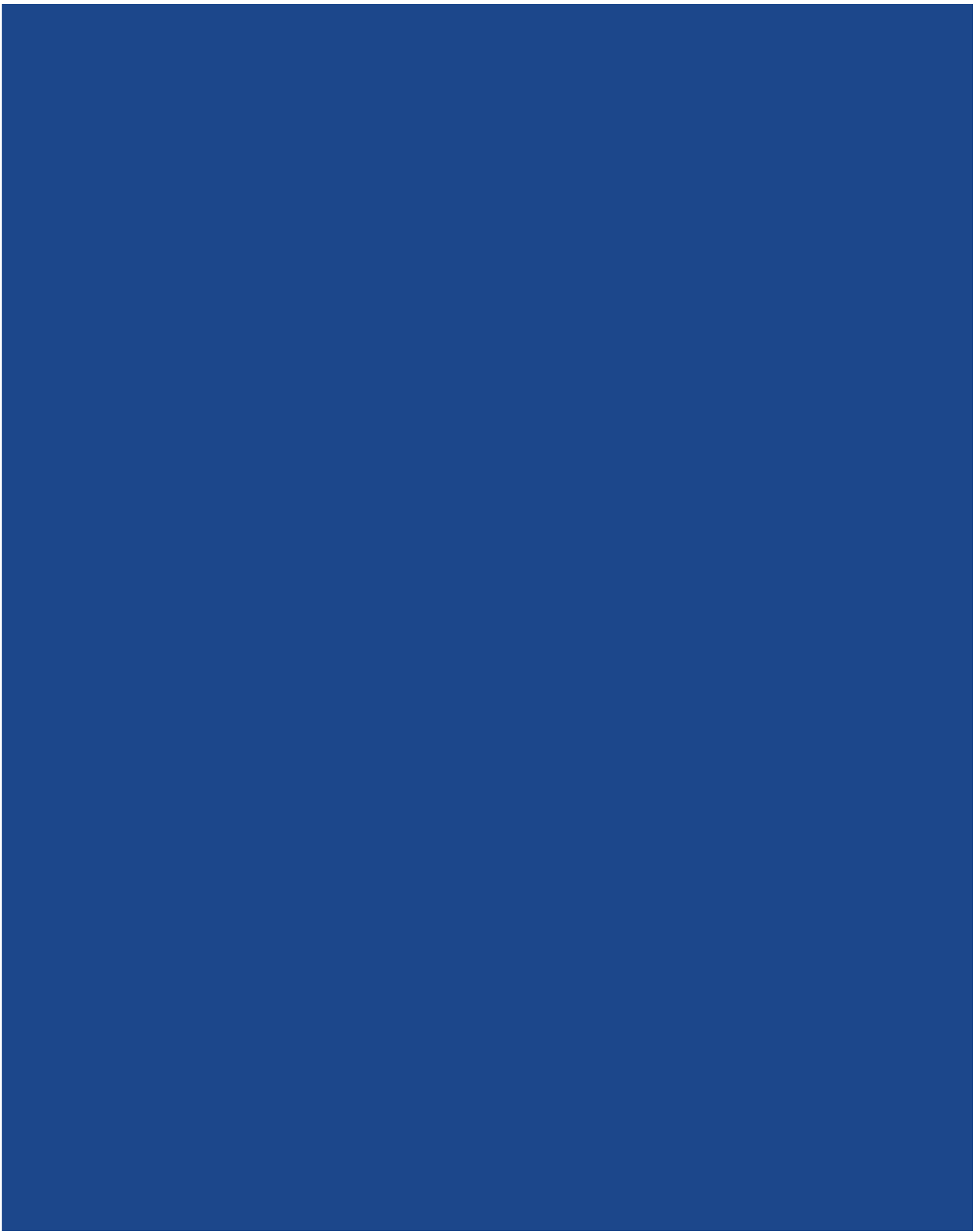
The Basis for Business Decisions

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Williams | Bettner | Carcello

19TH EDITION

Financial & Managerial Accounting



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JAN R. WILLIAMS

University of Tennessee

MARK S. BETTNER

Bucknell University

JOSEPH V. CARCELLO

University of Tennessee

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FINANCIAL AND MANAGERIAL ACCOUNTING: THE BASIS FOR BUSINESS DECISIONS,
NINETEENTH EDITION

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Dedication

To Ben and Meg Wishart and Asher, Lainey, and Lucy Hunt, who have taught me the joys of being a grandfather.

—*Jan R. Williams*

To my parents, Fred and Marjorie.

—*Mark S. Bettner*

In memory of Gilbert E. Bernhard, and to my wife, Terri, and children Janie, Stephen, Karen, and Sarah.

—*Joseph V. Carcello*

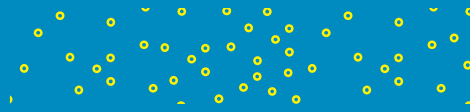
Meet the Authors



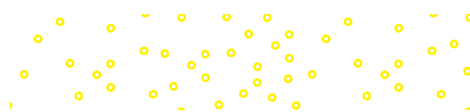
Jan R. Williams is Dean and Professor Emeritus of the College of Business Administration at the University of Tennessee—Knoxville, where he was a faculty member from 1977 to 2013. He received a BS degree from George Peabody College, an MBA from Baylor University, and a PhD from the University of Arkansas. He previously served on the faculties at the University of Georgia and Texas Tech University. A CPA in Tennessee (active license) and Arkansas (inactive), Dr. Williams is the coauthor of four books and has published over 120 articles, research monographs, proceedings, and other publications on issues of corporate financial reporting and accounting and business education. He served as president of the American Accounting Association in 1999–2000 and is past president of Beta Alpha Psi, past vice-president of the Tennessee Society of CPAs, and has had active roles in the American Institute of CPAs and the National Association of State Boards of Accountancy. In 2011–12, he served as chair of the board of AACSB International—the Association to Advance Collegiate Schools of Business—the accrediting organization for business schools and accounting programs worldwide. He retired from the University of Tennessee in 2013, and remains active in several business and accounting professional organizations. He was named Outstanding Accounting Educator by the American Accounting Association in 2018.

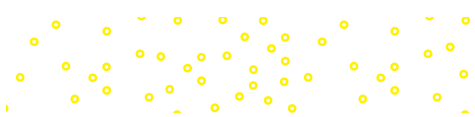


Mark S. Bettner is Professor Emeritus of the Kenneth W. Freeman College of Management at Bucknell University, where he was the Christian R. Lindback Chair of Accounting & Financial Management from 1989–2019. Dr. Bettner received his PhD in business administration from Texas Tech University and his MS in accounting from Virginia Tech University. In addition to his work on *Financial Accounting* and *Financial & Managerial Accounting*, he has created ancillary materials, published in scholarly journals, and presented at academic and practitioner conferences. Professor Bettner served on the editorial advisory boards of several academic journals, including the *International Journal of Accounting and Business Society* and the *International Journal of Business and Accounting*. In addition, he served as a reviewer for *Advances in Public Interest Accounting*, *Essays in Economics and Business History*, *Critical Perspectives on Accounting*, and *International Journal on Critical Accounting*. Professor Bettner developed and taught commercial lending courses for the Pennsylvania Bankers Association for more than 20 years, and was a consultant for the Small Business Development Center at Bucknell University for 10 years.



Joseph V. Carcello is Professor Emeritus and former EY and Business Alumni Professor and Department Head in the Department of Accounting and Information Management at the University of Tennessee. He was the cofounder and executive director for UT's Corporate Governance Center. Dr. Carcello received his PhD from Georgia State University, his MAcc from the University of Georgia, and his BS from the State University of New York College at Plattsburgh. Dr. Carcello is the author or coauthor of three books, more than 60 journal articles, and five monographs. Dr. Carcello served on the U.S. Securities and Exchange Commission's Investor Advisory Committee, the Public Company Accounting Oversight Board's Investor Advisory Group, and the U.K. Audit Quality Forum Steering Group of the Institute of Chartered Accountants of England and Wales. He testified before committees and working groups of the U.S. Department of the Treasury on the future of the auditing profession and on the JOBS Act. Dr. Carcello also testified before a subcommittee of the U.S. House of Representatives Financial Services Committee on accounting and auditing regulation. He served as a member of the COSO task force that developed guidance on applying COSO's internal control framework for smaller public companies. Throughout his career, Dr. Carcello was active in the academic community—he served as an editor of *Contemporary Accounting Research*, and on the editorial boards of *The Accounting Review*, *Auditing: A Journal of Practice & Theory*, *Accounting Horizons*, and *Contemporary Issues in Auditing*. Dr. Carcello taught professional development programs for two of the Big Four accounting firms and for state CPA societies; conducted funded research for another Big Four firm, the AICPA, and the Center for Audit Quality; and served as an expert for the U.S. Securities and Exchange Commission and for private attorneys.





REACHING GREAT HEIGHTS BEGINS WITH A SOLID BASE

Standing in a forest and looking upwards toward the sky, it's important to remember that these towering trees are able to reach such heights only because their foundations are strong. In much the same way, being successful in the business world begins with fundamental courses like financial and managerial accounting. It is only when students have a firm grasp of concepts like the accounting cycle and managerial decision making that they have a base on which to stand, a strong foundation on which to grow.

In this edition, as before, the Williams team has revised the text with a keen eye toward the principle of helping students establish the foundation they will need for future success in business.

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The Williams book continues to rest on a bedrock of four key components:

Balanced Coverage. The 19th edition of Williams provides the most balanced coverage of financial and managerial topics on the market. By giving equal weight to financial and managerial topics, the authors emphasize the need for a strong foundation in both aspects of accounting.

“This is a **well balanced textbook** that encompasses many issues, yet provides them in a precise, readable, and orderly fashion to students. The extent of the real-world examples makes this edition **clearly a superior choice.**”

*Hossein Noorian,
Wentworth Institute*

“**Excellent book!** Explains difficult subjects in easy-to-understand terms.”

*Naser Kamleh, Wallace
Community College*

Clear Accounting Cycle Presentation. In the first five chapters of *Financial & Managerial Accounting*, the authors present the Accounting Cycle in a clear, graphically interesting four-step process. Central to this presentation is the dedication of three successive chapters to three key components of the cycle: recording entries (Chapter 3), adjusting entries (Chapter 4), and closing entries (Chapter 5). The Williams team places easy-to-read margin notes explaining each equation used in particular journal entries.

Student Motivation. The Williams team has put together a market-leading student package that will not only motivate your students, but help you see greater retention rates in your accounting courses. Vital pieces of technology supplement the core curriculum covered in the book: McGraw-Hill *Connect* uses end-of-chapter material pulled directly from the textbook to create static and algorithmic questions that can be used for homework and practice tests and provides supplemental tools for both students and instructors.

“This textbook is current and very interactive. It brings in excellent “real-world” applications for the students to use in applying the concepts. It has **excellent student and instructor resources.** Some of the resources would be especially valuable for instructors teaching online.”

*Karen Mazingo, Pitt
Community College*

“The text is excellent. **I wish the texts had been this well written** when I was a student!”

*Mark Anderson, Bob Jones
University*

Problem-Solving Skills. *Financial & Managerial Accounting* challenges your students to think about real-world situations and put themselves in the role of the decision maker through Case in Point, Your Turn, and Ethics, Fraud, & Corporate Governance boxes. Students reference the Home Depot Financial Statements—included in the text as an appendix—to further hone problem-solving skills by evaluating real world financial data. The authors show a keen attention to detail when creating high-quality end-of-chapter material, such as the Critical Thinking Cases and Problems, ensuring that all homework is tied directly back to chapter learning objectives.

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How Does Williams Help Students

Step-by-Step Process for the Accounting Cycle

Financial & Managerial Accounting was the FIRST text to illustrate Balance Sheet and Income Statement transactions using the four-step process described below. This hallmark coverage has been further revised and refined in the 19th edition.

The Williams team breaks down the Accounting Cycle into three full chapters to help students absorb and understand this material: recording entries (Chapter 3), adjusting entries (Chapter 4), and closing entries (Chapter 5). Transactions are demonstrated visually to help students conquer recording transactions by showing the **four steps in the process**:

- 1 **Analysis**—shows which accounts are recorded with an increase/decrease.
- 2 **Debit/Credit Rules**—helps students to remember whether the account should be debited/credited.
- 3 **Journal Entry**—shows the result of the two previous steps.
- 4 **Ledger T-Accounts**—shows students what was recorded and where.

The Williams team puts the Accounting Equation in the margin by transaction illustrations to show students the big picture!

Recording Balance Sheet Transactions: An Illustration 95

its balance sheet. The revenue and expense transactions that took place on January 31 will be addressed later in the chapter.

Each transaction from January 20 through January 27 is analyzed first in terms of increases or decreases in assets, liabilities, and owners' equity. Second, we follow the debit and credit rules for entering these increases or decreases in specific accounts. Asset ledger accounts are shown on the left side of the analysis; liability and owners' equity ledger accounts are shown on the right side. For convenience in the following transactions, both the debit and credit figures for the transaction under discussion are shown in red. Figures relating to earlier transactions appear in black.

Jan. 20 Michael McBryan and family invested \$80,000 cash in exchange for capital stock.

ANALYSIS	The asset Cash is increased by \$80,000, and owners' equity (Capital Stock) is increased by the same amount.								
DEBIT-CREDIT RULES	Increases in assets are recorded by debits; debit Cash \$80,000. Increases in owners' equity are recorded by credits; credit Capital Stock \$80,000.								
JOURNAL ENTRY	<table border="0"> <tr> <td>Jan. 20</td> <td>Cash</td> <td>80,000</td> <td></td> </tr> <tr> <td></td> <td>Capital Stock</td> <td></td> <td>80,000</td> </tr> </table>	Jan. 20	Cash	80,000			Capital Stock		80,000
Jan. 20	Cash	80,000							
	Capital Stock		80,000						
ENTRIES IN LEDGER ACCOUNTS	<table border="0"> <tr> <td></td> <td>Cash</td> <td>Capital Stock</td> </tr> <tr> <td>1/20</td> <td>80,000</td> <td>1/20</td> <td>80,000</td> </tr> </table>		Cash	Capital Stock	1/20	80,000	1/20	80,000	
	Cash	Capital Stock							
1/20	80,000	1/20	80,000						

Owners invest cash in the business

Assets	=	Liabilities	+	Owners' Equity
+80,000	=		+	+80,000

Jan. 21 Representing Overnight, McBryan negotiated with both the City of Santa Teresa and Metropolitan Transit Authority (MTA) to purchase an abandoned bus garage. (The city owned the land, but the MTA owned the building.) On January 21, Overnight Auto Service purchased the land from the city for \$52,000 cash.

ANALYSIS	The asset Land is increased \$52,000, and the asset Cash is decreased \$52,000.								
DEBIT-CREDIT RULES	Increases in assets are recorded by debits; debit Land \$52,000. Decreases in assets are recorded by credits; credit Cash \$52,000.								
JOURNAL ENTRY	<table border="0"> <tr> <td>Jan. 21</td> <td>Land</td> <td>52,000</td> <td></td> </tr> <tr> <td></td> <td>Cash</td> <td></td> <td>52,000</td> </tr> </table>	Jan. 21	Land	52,000			Cash		52,000
Jan. 21	Land	52,000							
	Cash		52,000						
ENTRIES IN LEDGER ACCOUNTS	<table border="0"> <tr> <td></td> <td>Land</td> <td>Cash</td> </tr> <tr> <td>1/21</td> <td>52,000</td> <td>1/21</td> <td>52,000</td> </tr> </table>		Land	Cash	1/21	52,000	1/21	52,000	
	Land	Cash							
1/21	52,000	1/21	52,000						

Purchase of an asset for cash

Assets	=	Liabilities	+	Owners' Equity
+52,000	=		+	-52,000

Build a Strong Foundation?

Robust End-of-Chapter Material

Brief Exercises

LO3-1, LO3-2, LO3-5, LO3-9, LO3-10
BRIEF EXERCISE 3.1
 The Accounting Cycle

Listed as follows in random order are the eight steps comprising a complete accounting cycle.

- Prepare a trial balance.
- Journalize and post the closing entries.
- Prepare financial statements.
- Post transaction data to the ledger.
- Prepare an adjusted trial balance.
- Make end-of-period adjustments.
- Journalize transactions.
- Prepare an after-closing trial balance.

a. List these steps in the sequence in which they would normally be performed. (A detailed understanding of these eight steps is not required until Chapters 4 and 5.)
 b. Describe ways in which the information produced through the accounting cycle is used by a company's management and employees.

Problem Set B

LO9-1, LO9-2, LO9-3
PROBLEM 9.1B
 Determining the Cost of Depreciation

Smithfield Hotel recently purchased new exercise equipment for its exercise room. The following information refers to the purchase and installation of this equipment.

- The list price of the equipment was \$42,000; however, Smithfield qualified for a special discount of 10%.

COMPREHENSIVE PROBLEM 1

Susquehanna Equipment Rentals

A COMPREHENSIVE ACCOUNTING CYCLE PROBLEM

On December 1, Year 1, John and Patty Driver formed a corporation called Susquehanna Equipment Rentals. The new corporation was able to begin operations immediately by purchasing the following equipment:

Self-Test Questions

The answers to these questions appear on page 343.

Note: In order to review as many chapter concepts as possible, some self-test questions include more than one correct answer. In these cases, you should indicate all of the correct answers.

- In general terms, financial assets appear in the balance sheet of a corporation.
- What is meant by the terms *positive cash flows* and *negative cash flows*? How do they relate to revenues and expenses?
- What are the three categories commonly found in a statement of cash flows, and what is included in each category?
- What is meant by the statement that the financial statements *articulate*?

ASSIGNMENT MATERIAL **Discussion Questions**

- In broad general terms, what is the purpose of accounting?
- Why is a knowledge of accounting terms and concepts useful to persons other than professional accountants?
- In general terms, what are revenues and expenses? How are they related in the determination of an enterprise's net income or net loss?
- What is meant by the terms *positive cash flows* and *negative cash flows*? How do they relate to revenues and expenses?
- What are the three categories commonly found in a statement of cash flows, and what is included in each category?
- What is meant by the statement that the financial statements *articulate*?

Demonstration Problem

Account balances for Crystal Auto Wash at September 30, 2021, are shown as follows. The figure for retained earnings is not given, but it can be determined when all the available information is assembled in the form of a balance sheet.

Accounts Payable	\$16,800	Land	\$81,000
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Critical Thinking Cases

LO7-1, LO7-6, LO7-7
CASE 7.1
 Accounting Principles

In each of the situations described, indicate the accounting principles or concepts, if any, that have been violated and explain briefly the nature of the violation. If you believe the practice is in accord with generally accepted accounting principles, state this as your position and defend it.

- A small business in which credit sales fluctuate greatly from year to year uses the direct write-off method both for income tax purposes and in its financial statements.
- Computer Systems often sells merchandise in exchange for interest-bearing notes receivable.

LO7-1, LO7-2, LO7-3, LO7-4, LO7-5, LO7-6, LO7-8
CASE 7.3
 "Improving" the Balance Sheet

Affections manufactures candy and sells only to retailers. It is not a publicly owned company and its financial statements are not audited. But the company frequently must borrow money. Its creditors insist that the company provide them with unaudited financial statements at the end of each quarter.

In October, Affections management met to discuss the fiscal year ending next December 31. Due to a sluggish economy, Affections was having difficulty collecting its accounts receivable, and its cash position was unusually low. Management knew that if the December 31 balance sheet did not look good, the company would have difficulty borrowing the money it would need to boost production for Valentine's Day.

The purpose of the October management meeting was to explore ways in which Affections might improve its December 31 balance sheet. Some of the ideas discussed are as follows.

LO10-8
EXERCISE 10.15
 Examining Home Depot's Capital Structure

To answer the following questions use the financial statements for **Home Depot, Inc.**, in Appendix A at the end of the textbook.

- Compute the company's current ratio and quick ratio for the most recent year reported. Do these ratios provide support that Home Depot is able to repay its current liabilities as they come due? Explain.
- Compute the company's debt ratio. Does Home Depot appear to have excessive debt? Has the company successfully employed leverage?
- Examine the company's statement of cash flows. Does Home Depot's cash flow from operating activities appear adequate to cover its current liabilities as they come due? Explain.

Problem Set A

Brief Exercises supplement the exercises with shorter, single-concept exercises that test the basic concepts of each chapter. These brief exercises give instructors more flexibility in their homework assignments.

An Alternate Problem Set provides students with even more practice on important concepts.

Six **Comprehensive Problems**, ranging from one to two pages in length, present students with real-world scenarios and challenge them to apply what they've learned in the chapters leading up to them.

Defined **Key Terms** and **Self-Test Questions** review and reinforce chapter material.

Demonstration Problems and their solutions allow students to test their knowledge of key points in the chapters.

Critical Thinking Cases and **Problems** put students' analytical skills to the test by having them think critically about key concepts from the chapter and apply them to business decisions. **TWO** sets of Problems and a full set of Exercises in **EACH** chapter give *Financial & Managerial Accounting* the edge in homework materials.

Ethics Cases in *each* chapter challenge students to explore the ethical impact of decisions made in business.

The **2018 Home Depot Financial Statements** are included in Appendix A. Students are referred to key aspects of the 10-K in the text material and in end-of-chapter material to illustrate actual business applications of chapter concepts.

connect

Connect Accounting System



Ethical



Group Activities



Writing



Internet



International

The Williams Pedagogy Helps

➤ High-profile companies frame each chapter discussion through the use of dynamic **CHAPTER OPENER** vignettes. Students learn to frame the chapter’s topic in a real-world scenario.

▼ **YOUR TURN** boxes challenge students with ethically demanding situations. They must apply what they’ve learned in the text to situations faced by investors, creditors, and managers in the real world.

⚖️

YOUR TURN

You as a Financial Analyst

Assume that you are a financial analyst and that two of your clients are requesting your advice on certain companies as potential investments. Both clients are interested in purchasing common stock. One is primarily interested in the dividends to be received from the investment. The second is primarily interested in the growth of the market value of the stock. What information would you advise your clients to focus on in their respective analyses?

(See our comments in Connect.)

CHAPTER 2

Basic Financial Statements

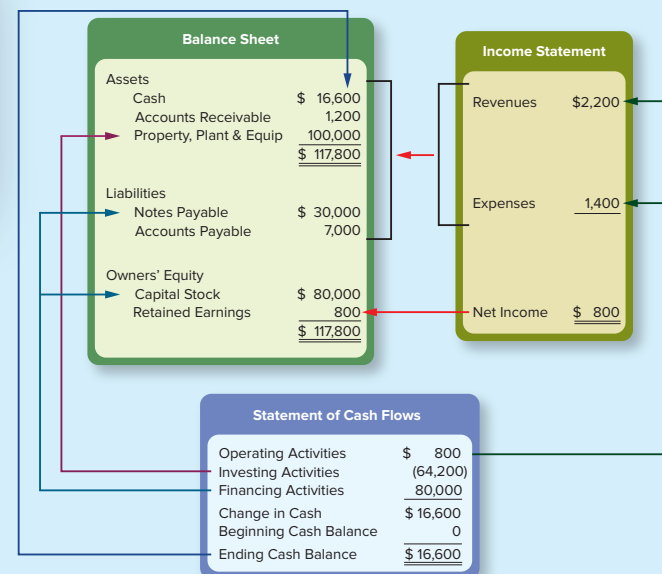
Learning Objectives

After studying this chapter, you should be able to:

- LO2-1** Explain the nature and general purposes of financial statements.
- LO2-2** Explain certain accounting principles that are important for an understanding of financial statements and how professional judgment by accountants may affect the application of those principles.
- LO2-3** Demonstrate how certain business transactions affect the elements of the accounting equation: Assets = Liabilities + Owners' Equity.
- LO2-4** Explain how the statement of financial position, often referred to as the balance sheet, is an expansion of the basic accounting equation.
- LO2-5** Explain how the income statement reports an enterprise's financial performance for a period of time in terms of the relationship of revenues and expenses.
- LO2-6** Explain how the statement of cash flows presents the change in cash for a period of time in terms of the company's operating, investing, and financing activities.
- LO2-7** Explain how the statement of financial position (balance sheet), income statement, and statement of cash flows relate to each other.
- LO2-8** Explain common forms of business ownership—sole proprietorship, partnership, and corporation—and demonstrate how they differ in terms of their statements of financial position.
- LO2-9** Discuss the importance of financial statements to a company and its investors and creditors and why management may take steps to improve the appearance of the company in its financial statements.

“Lots of eye appeal and in-depth coverage.
Students will love it.”
James Specht, Concordia College

➤ **EXHIBITS** illustrate key concepts in the text.



Students Reach Great Heights



AMAZON

Amazon opened its doors on the World Wide Web in 1995 with the goal of being “the Earth’s most customer-centric company.” Amazon sells both merchandise it has purchased from vendors for resale and merchandise offered by third-party sellers, and it also manufactures and sells electronic devices. Amazon focuses on providing customers with selection, price, and convenience. While Amazon began its operations by selling books, it now sells millions of unique products from a wide range of product categories. Although Amazon has been very successful since its inception, today it faces intense competition from both digital and bricks-and-mortar retailers.

Technology-based companies like Amazon must continuously innovate to stay ahead of the competition. Amazon states that it follows four principles: “customer obsession rather than competitor focus, passion for invention, commitment to operational excellence, and long-term thinking.”¹ Amazon was willing to forego operating at a profit in its early years to build its brand name and to obtain market share and, as a result, did not report a quarterly profit until 2001.²

¹AMZN-2014.12.31-10K, United States Securities and Exchange Commission, 16 Jan. 2015, <https://www.sec.gov/Archives/edgar/data/918724/0001101872415000006/amzn-2014123110k.htm>

²Ibid.

“Williams is a great text overall. It provides excellent and accurate coverage of the accounting principles curriculum. **Students like it better than any other text I have used.** A few years ago I was in a situation where I had to use a different text, since I took over a class for another teacher at the last minute. Students were getting the Williams text on their own and **I saw immediate improvement in their understanding and grades** across the board. Williams comes through again and again, where other texts fall hopelessly short.”

Malcolm E. White, Columbia College

CASE IN POINT

In **Sony Corporation's** March 31, 2018, financial statements to owners, financial position is presented as consisting of ¥19,065 trillion in assets (including cash and cash equivalents, inventories, buildings, and machinery and equipment), with obligations against those assets of ¥15,409 trillion. This leaves ¥3,656 trillion as the owners' interest in those assets. In the same report, results of operations indicate that Sony had a net income (revenues exceeded expenses) of ¥547 billion for the year ending March 31, 2018.

▲ **CASE IN POINT** boxes link accounting concepts in the chapter to their use in the real world. These examples often present an international scenario to expose students to accounting practices around the world.



ETHICS, FRAUD, & CORPORATE GOVERNANCE

A major outgrowth from the business failures amid allegations of fraudulent financial reporting discussed in the last chapter was the passage of the Sarbanes-Oxley Act of 2002. This Act was signed into law by President George W. Bush on July 30, 2002. The Sarbanes-Oxley Act (hereafter SOX or the Act) is generally viewed as the most far-reaching piece of securities legislation since the original Securities Acts were passed in the 1930s.

One of the major requirements of this legislation is for CEOs and CFOs to certify the accuracy of their company's financial statements. The CEOs and CFOs of all public companies must certify on an annual and quarterly basis

that they (1) have reviewed their company's financial statements, (2) are not aware of any error or omission that would make the financial statements misleading, and (3) believe that the financial statements fairly present in all material respects the company's financial condition (balance sheet) and results of operations (income statement). There is some evidence that this certification requirement is affecting corporate behavior. For example, a former CFO of **HealthSouth** contacted federal authorities about the massive (alleged) accounting fraud at that company because he was not willing to certify that HealthSouth's financial statements were materially accurate.

▲ **ETHICS, FRAUD, & CORPORATE GOVERNANCE** boxes discuss the accounting scandals of recent years that have sparked such comprehensive legislation as Sarbanes-Oxley. The inclusion of EFCG boxes in each chapter offers instructors the opportunity to bring complex accounting and ethical issues into the classroom.



PATHWAYS CONNECTION

Recall in the Pathways Model that was presented in Chapter 1, and has been referred to consistently since then, that an important goal of accounting is providing useful information for making sound decisions. You also have learned that significant judgment is required to prepare financial information and to make wise use of that information. These principles are clearly demonstrated in accounting for liabilities.

Exhibit 10–8 provides a summary of some of the common measures used by creditors and investors to evaluate a company's short-term and long-term debt-paying ability. Providing these measures, or providing the information required to be able to compute these measures, is an important responsibility of financial reporting that is consistent with the Pathways model.

▲ **PATHWAYS CONNECTION** boxes emphasize that financial statements are a means to an end, providing useful information for making good decisions, and eventually benefitting society.

What's New about the 19th Edition of *Financial & Managerial Accounting*?

Chapter openers have been revised and updated featuring companies such as: **Disney, Amazon, PwC, McDonald's, Apple, Pfizer, Lowe's, UPS, Dillard's, Target, Pepsi, Johnson & Johnson, Microsoft, Coca-Cola, Kellogg, Puma AG, Columbia Sportswear, Google, and General Electric.**

Real-world examples have been reviewed and updated throughout the text.

End-of-chapter:

- Brief Exercises
- Exercises
- Problem Sets A and B
- Critical Thinking
- Comprehensive problems have been revised and updated throughout the text

Chapter 1:

- Section on Information Systems refined
- Examples of management accounting information updated, and discussion of FASB's developing conceptual framework added.

Chapter 2:

- Section on Statement of Cash Flows revised and need for Adequate Disclosure example refined.

Chapter 5:

- NEW Chapter Opener provides an easy to understand illustration of how recent changes in the FASB's revenue recognition standards have impacted the company's financial statements.

Chapter 6:

- NEW introduction of revenue recognition as an important consideration.
- Streamlined coverage of perpetual and periodic inventory systems and streamlined coverage of transactions relating to purchases and sales.
- New Demonstration Problem.

Chapter 7:

- Coverage of marketable equity securities has been updated to reflect recent changes in the reporting of unrealized gains and losses.
- Lines of Credit, Cash Over and Short, Adjusting Marketable Securities section refined.
- Example in Recovery of Account Receivable Previously Written Off updated and notes receivable section revised.

Chapter 8:

- Section on the flow of inventory costs refined.

Chapter 9:

- Example of the straight-line method expanded.

Chapter 10:

- Long-term liabilities section revised.
- Interest coverage ratio example added.
- Sections on special types of liabilities, leases revised.

Chapter 11:

- Section on market price of preferred stock section refined.

Chapter 12:

- NEW section on revenue recognition as a driver of a company's results of operations and the impact on financial position.
- While revenue recognition is most obvious in the income statement, it

is also (1) an important driver for all financial statements (not limited to the income statement) and (2) performance obligations are particularly important in recognizing revenue.

Chapter 13:

- Section on classification of cash flows refined.

Chapter 15:

- IFRS coverage updated.

Chapter 17:

- Section on overhead allocation rates refined.

Chapter 18:

- Section on production of goods and services and costing systems updated.

Chapter 19:

- Section on activity-based management refined.

Chapter 21:

- IFRS section updated.

Chapter 22:

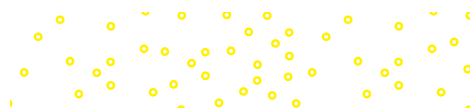
- Responsibility Centers section refined.

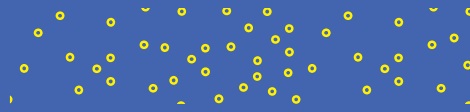
Chapter 24:

- Section on overhead volume variance refined.

Chapter 25:

- Section on goals and objectives refined.





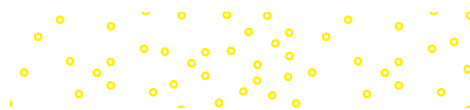
We are grateful . . .

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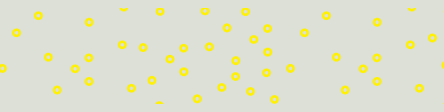
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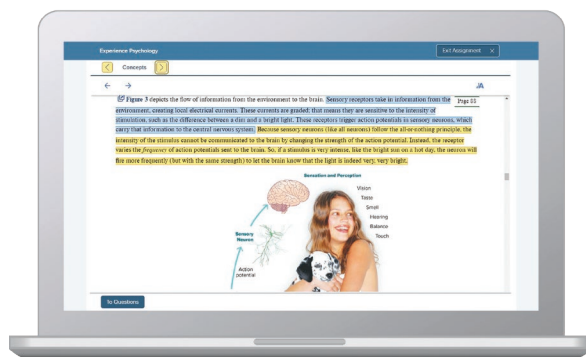
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Acknowledgments

Many of our colleagues reviewed *Financial & Managerial Accounting*. Through their time and effort, we are able to continually improve and update the book to meet the needs of students and professors. We sincerely thank each of you for your valuable time and suggestions.

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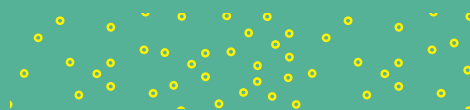
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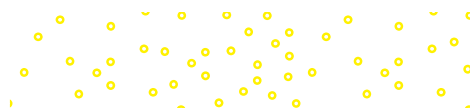
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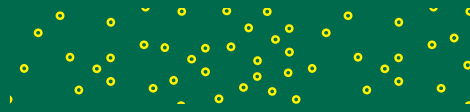
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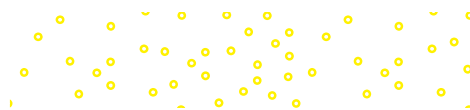


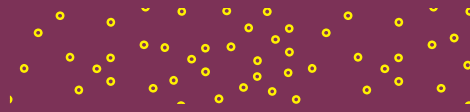
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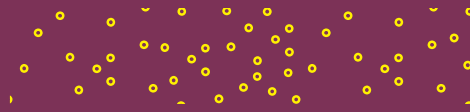


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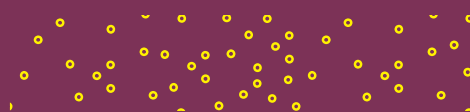




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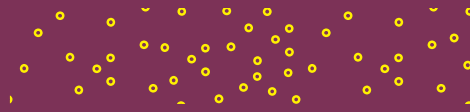
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