

This International Student Edition is for use outside of the U.S.

ELEVENTH EDITION

# Intermediate Accounting

SPICELAND ■ NELSON ■ THOMAS ■ WINCHEL



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# Intermediate Accounting

ELEVENTH EDITION

J. DAVID SPICELAND

*University of Memphis*

MARK W. NELSON

*Cornell University*

WAYNE B. THOMAS

*University of Oklahoma*

JENNIFER WINCHEL

*University of Virginia*



## Dedicated to:

David's wife Charlene, two daughters Denise and Jessica, and three sons Mike, Michael, and David

Mark's wife Cathy, and daughters Liz and Clara

Wayne's wife Julee, daughter Olivia, and three sons Jake, Eli, and Luke

Jennifer's husband Peppy and son Seth



INTERMEDIATE ACCOUNTING

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# About the Authors

## DAVID SPICELAND



Courtesy of David Spiceland

David Spiceland is Professor Emeritus in the School of Accountancy where he taught financial accounting at the undergraduate, master's, and doctoral levels for 36 years. He received his BS degree in finance from the University of Tennessee, his MBA from Southern Illinois University, and his PhD in accounting from the University of Arkansas.

David has published articles in a variety of academic and professional journals, including *The Accounting Review*, *Accounting and Business Research*, *Journal of Financial Research*, *Advances in Quantitative Analysis of Finance and Accounting*, and most accounting education journals: *Issues in Accounting Education*, *Journal of Accounting Education*, *Advances in Accounting Education*, *The Accounting Educators' Journal*, *Accounting Education*, *The Journal of Asynchronous Learning Networks*, and *Journal of Business Education*, and he is an author of McGraw Hill's *Financial Accounting* with Wayne Thomas and Don Herrmann. Professor Spiceland has received university and college awards and recognition for his teaching, research, and technological innovations in the classroom.

David enjoys cooking, spoiling his dogs and grandchildren, and



strolling on the beach with his wife, Charlene.

## MARK NELSON



Courtesy of Jesse Winter LLC

Mark Nelson is the Anne and Elmer Lindseth Dean and Professor of Accounting at Cornell University's Samuel Curtis Johnson Graduate School of Management. He received his BBA degree from Iowa State University and his MA and PhD degrees from The Ohio State University. Professor Nelson has won ten teaching awards, including an inaugural Cook Prize from the American Accounting Association.

Mark's research focuses on decision making in financial accounting and auditing. His research has been published in the *Accounting Review*; the *Journal of Accounting Research*; *Contemporary Accounting Research*; *Accounting, Organizations and Society*; and several other journals. He has received the American Accounting Association's Notable Contribution to Accounting Literature Award, as well as the AAA's Wildman Medal for work judged to make a significant contribution to practice.

Mark served three terms as an area editor of *The Accounting Review* and is a member of the editorial boards of several journals. He also served for four years on the FASB's Financial Accounting Standards Advisory Council.

Mark and his wife Cathy enjoy fitness and kayaking, particularly on Ithaca's Lake Cayuga, and spending time with their daughters Liz and Clara.



Courtesy of Shevaun Williams & Associates

Wayne Thomas is the Senior Associate Dean for Faculty and Research Innovation and the David C. Steed Chair of Accounting at the University of Oklahoma, where he teaches introductory financial accounting and intermediate accounting. He received his bachelor's degree in accounting from Southwestern Oklahoma State University and his master's and PhD in accounting from Oklahoma State University.

Wayne has won teaching awards at the university, college, and departmental levels and has received the Outstanding Educator Award from the Oklahoma Society of CPAs. He co-authors McGraw Hill's *Financial Accounting* with David Spiceland and Don Herrmann. He also co-authors McGraw Hill's *Financial Accounting for Managers* with Michael Drake, Jake Thornock, and David Spiceland.

His primary research interests include accounting information, capital markets, techniques used by managers to manipulate earnings, the importance of financial disclosures, and financial statement analysis. He previously served as an editor of *The Accounting Review* and has published articles in a variety of journals, including *The Accounting Review*, *Journal of Accounting and Economics*, *Journal of Accounting Research*, *Review of Accounting Studies*, and *Contemporary Accounting Research*. He has won several research awards, including the American Accounting Association's Competitive Manuscript Award and the University of Oklahoma's highest research award, being named a George Lynn Cross Research Professor.

Wayne is married to Julee, and they have four kids, Olivia, Jake, Eli, and Luke. He enjoys sports (basketball, tennis, golf, biking, and ping pong), crossword puzzles, the outdoors, and spending time with his family.

## JENNIFER WINCHEL



Courtesy of University of Virginia

Jennifer Winchel is the Carman G. Blough Associate Professor of Accounting at the University of Virginia's McIntire School of Commerce, where she teaches courses at both the undergraduate and graduate levels. She received her BA degree from Illinois Wesleyan University, her MAS from Northern Illinois University, and her PhD from the University of Texas at Austin. Prior to joining UVA, she was a faculty member at the University of South Carolina's Darla Moore School of Business. While at SC, she won the Alfred G. Smith Award for excellence in teaching. She has public accounting experience as an audit manager for PwC.

Jennifer's research focuses on decision making in financial accounting. Her research has been published in scholarly journals, such as *The Accounting Review*; *Contemporary Accounting Research*; and *Accounting, Organizations, and Society*. She has presented her research at a number of universities and scholarly conferences.

In her free time, Jennifer enjoys various activities with her husband and son. She especially loves traveling with her son for soccer.

# Intermediate Accounting Eleventh Edition

Welcome to the new standard in Intermediate Accounting! Instructors recognize the “Spiceland advantage” in preparing their students for success. *Intermediate Accounting* offers an unrivaled experience by incorporating **current** changes in accounting standards and business practices, providing a **comprehensive** approach to instructor resources and assignment materials, applying a **clear** conversational tone in the text and related videos, and using the market-leading technological innovations of **Connect**®. The result—students develop a more complete understanding of Intermediate Accounting topics and are better prepared for their business careers.

“The textbook is readable and easy to follow since the authors present basic concepts and then cover advanced issues. Conceptually-oriented and dependable as the authors are timely in updating new accounting standards.”

—**Hong Pak, California State Polytechnic University, Pomona**

The *Intermediate Accounting* learning system is built around four key attributes: current, comprehensive, clear, and Connect.

**Current:** The Spiceland team is committed to keeping instructors’

courses up to date. The eleventh edition fully integrates the latest updates in accounting standards, business practices, pedagogy, and instructional resources. The content and resources in Spiceland *Intermediate* address the topics outlined in the new **CPA Evolution Model Curriculum**, and at the same time, focus on giving students the tools they need for the ever-changing skills and competencies required of today's business professionals.

**Content Coverage**—A core concept of Spiceland *Intermediate* is to structure its content to offer instructors the most flexibility possible in designing their specific courses. Where practicable, each chapter starts with the basic overview of the chapter's topic (Part A) and then builds incrementally to more advanced topics. For example, revenue recognition in Chapter 6 provides basic coverage of the 5-step revenue recognition principle in Part A and then dives deeper into each of the five steps in Part B. This “basic + expanded” instructional approach is pedagogically effective, but also provides instructors the flexibility to teach the content to their desired depth of coverage.

**Student Skills**—To help prepare students for today's business profession, accounting programs are emphasizing (a) the development of students' skills related to interpreting data visualizations and dashboards, (b) applying critical and logical thinking, (c) using general ledger software, (d) analyzing financial ratios, (e) interpreting accounting disclosures, (f) researching authoritative guidance, and (g) understanding ethical issues. Spiceland *Intermediate* offers THE MOST COMPREHENSIVE set of assignment material on the market to address these needs. Beyond a full set of Brief Exercises, Exercises, and Problems, you'll find the following specialized assignments in Connect that address these skills:

**Data Visualizations** – Students will see static images of bar charts, pie charts, line graphs, etc. that demonstrate an accounting concept. Along with the visual, students are given a series of questions that guide them through interpreting the visual in a purposeful way to reinforce an accounting concept.

**Tableau Dashboard Activities** – Using a live embedded Tableau dashboard, students gather the information they need to answer accounting and business questions. No prior knowledge of Tableau is needed, and no additional software is needed. Students interact with the dashboards to extract the answers needed.

**Applying Tableau** – For instructors wanting their students to work directly within Tableau, Applying Tableau assignments are available (Tableau software is free to students and instructors). These assignments provide students with an Excel data file and detailed instructions as well as a guided video tutorial that walks through the necessary steps and functions of creating a Tableau dashboard.

**Integrated Excel** – These assignments provide a seamless integration of Excel within Connect, allowing students to work in live Excel spreadsheets—no additional logins, no need to upload or download files. Instructors can choose to grade by formula or solution value, and students receive instant cell-level feedback via integrated Check My Work functionality.

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**Applying Excel** – Students build their Excel skills by using many of the basic functions and formulas within Excel to perform calculations and analysis. Students are presented with many what-if scenarios to help them see the power of Excel and develop their logical thinking skills. Each assignment is provided with video instruction to help ease the requirement for instructors to teach Excel.

**Codification Exercises** – Most chapters offer one or more assignment exercises, problems and cases designed to develop students' ability to conduct research using the FASB's Accounting Standards Codification.

**Star Problems** – Particularly rigorous problems, designated by a ★, require students to combine multiple concepts or require significant use of judgment.

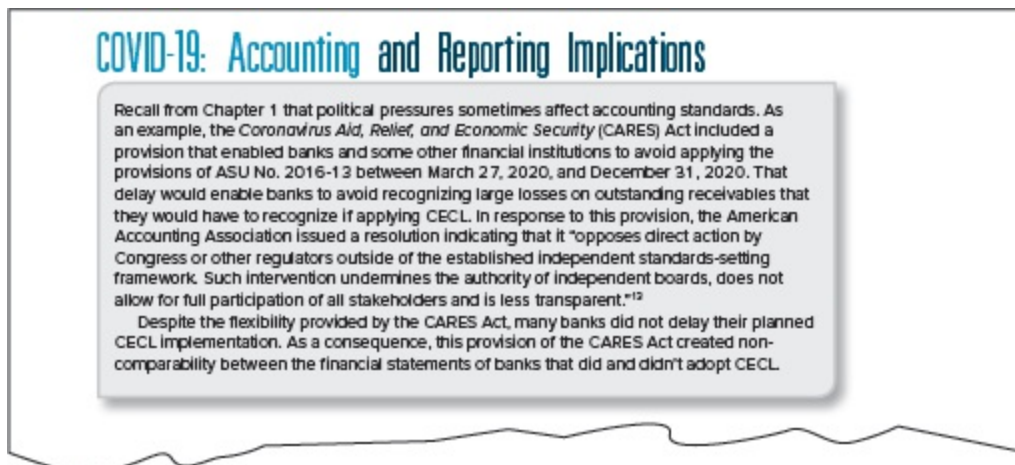
**Decision Makers' Perspective Cases** – A wide array of cases are available to help your students think more deeply about accounting

topics and analyze business situations. Cases include real-world companies, authoritative guidance (codification) research, financial analysis, accounting disclosures, ethics, judgment, and international accounting issues. Students also can follow **Target Corporation** for US GAAP and **Air France-KLM** for IFRS in continuing cases across all chapters. Most Decision Makers' Perspective Cases are now auto-graded in Connect, allowing instructors to conveniently assess students abilities when confronting real-world scenarios.

**General Ledger Problems** – These accounting software-like assignments allow students to enter transactions in the general journal and see how those measurements flow automatically through the general ledger and trial balance to build the financial statements. Students will see how accounting software allows them to enter transactions and see instantly how financial statements are affected.

## Accounting and Reporting Implications of COVID-19

The *Coronavirus Aid, Relief, and Economic Security (CARES) Act*, was designed to provide stimulus relief to businesses affected by COVID-19 in the form of loans, grants, and tax changes. This edition features COVID-19: ACCOUNTING AND REPORTING IMPLICATIONS boxes to explore the effects of the pandemic on businesses.



**COVID-19: Accounting and Reporting Implications**

Recall from Chapter 1 that political pressures sometimes affect accounting standards. As an example, the *Coronavirus Aid, Relief, and Economic Security (CARES) Act* included a provision that enabled banks and some other financial institutions to avoid applying the provisions of ASU No. 2016-13 between March 27, 2020, and December 31, 2020. That delay would enable banks to avoid recognizing large losses on outstanding receivables that they would have to recognize if applying CECL. In response to this provision, the American Accounting Association issued a resolution indicating that it "opposes direct action by Congress or other regulators outside of the established independent standards-setting framework. Such intervention undermines the authority of independent boards, does not allow for full participation of all stakeholders and is less transparent."<sup>12</sup>

Despite the flexibility provided by the CARES Act, many banks did not delay their planned CECL implementation. As a consequence, this provision of the CARES Act created non-comparability between the financial statements of banks that did and didn't adopt CECL.

**Comprehensive:** The Spiceland team ensures comprehensive coverage and quality throughout the learning system by building content and assets with a unified methodology that meets rigorous standards. Students are challenged through diverse examples and carefully crafted problem sets which promote in-depth understanding and drive development of critical-thinking skills.

The author team is committed to providing a learning experience that fully prepares students for the future by solidifying core comprehension and enabling confident application of key concepts. Students can feel confident that the conceptual underpinnings and practical skills conveyed in the eleventh edition will prepare them for a wide range of real world scenarios.

**Clear:** Reviewers, instructors, and students have all hailed *Intermediate Accounting's* ability to explain both simple and complex topics in language that is coherent and approachable. Difficult topics are structured to provide a solid conceptual foundation and unifying framework that is built upon with thorough coverage of more advanced topics. This structure is paired with the power of Connect offering easy-to-use technology with auto-graded assignments and video resources for students. The author team's highly acclaimed conversational writing style establishes a friendly dialogue—establishing the impression of a conversation with students, as opposed to lecturing at them.

This tone remains consistent throughout the learning system, as authors Spiceland, Nelson, Thomas, and Winchel write not only the primary content but also every major supplement: instructor's resource manual, solutions manual, and test bank. All end-of-chapter material, too, is written by the author team and tested in their classrooms. *Intermediate Accounting* is written to be the most complete, coherent, and student-oriented resource on the market.



**Connect:** Today's accounting students expect to learn in multiple modalities. As a result, the eleventh edition of Spiceland's learning system offers the following features in Connect: **NEW** Data Analytics activities, SmartBook's adaptive learning and reading experience, **NEW** Concept Review Exercises Videos, Concept Overview Videos, Guided Examples, **NEW** Integrated Excel, and General Ledger problems.

Quality assessment continues to be a focus of Connect, with over **2,500 questions** available for assignment, including more than 1,125 algorithmic questions.

McGraw Hill Education is continually updating and improving our digital resources. To that end, our partnership with UWorld Roger CPA provides multiple-choice practice questions directly within our Connect banks, as well as assignable links to the UWorld Roger CPA site for complementary access to selected simulations. The authors have also created hundreds of practice multiple-choice questions that are available for each chapter.

## Spiceland/Thomas Financial Accounting Series

*Intermediate Accounting* forms a complete learning system when paired with *Financial Accounting* by authors David Spiceland, Wayne Thomas, and Don Herrmann. Now in its sixth edition, *Financial Accounting* uses the same proven approach that has made *Intermediate Accounting* a success—a conversational writing style with real-world focus.

The authors are also proud to introduce a new book in the series, *Financial Accounting for Managers*, for which they are joined by award-winning authors Michael Drake and Jake Thornock. *Financial Accounting for Managers* brings the proven Spiceland/Thomas approach to today's students, either MBAs or undergraduates who

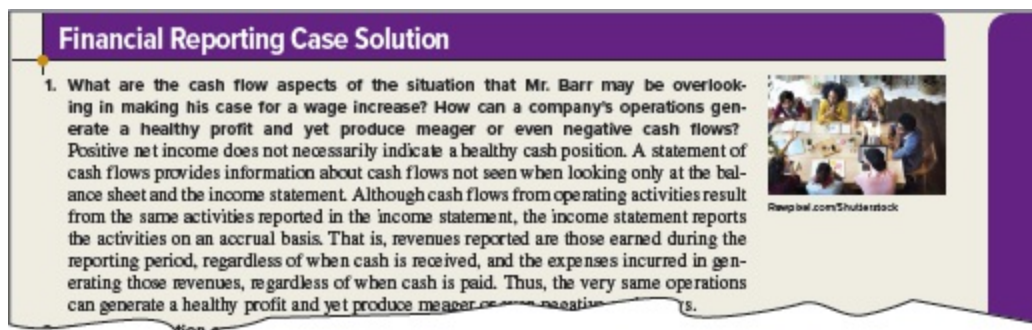
aspire to be managers. Featuring modern companies, robust analysis sections, and auto-graded cases, this text focuses on helping students think critically about how accounting information fuels business decisions.

The Spiceland/Thomas Accounting Series is fully integrated with McGraw Hill's Connect, an educational platform that seamlessly joins Spiceland/Thomas superior content with enhanced digital tools to deliver precisely what a student needs, when, and how they need it.



# What Keeps SPICELAND Users Coming Back? Proven Text Features

In talking with so many intermediate accounting faculty, we heard more than how to improve the book—there was much, much more that both users and nonusers insisted we not change. Here are some of the features that have made Spiceland such a phenomenal success.



## Financial Reporting Cases

Each chapter opens with a Financial Reporting Case that places the student in the role of the decision maker, engaging the student in an interesting situation related to the accounting issues to come. Then, the cases pose questions for the student in the role of decision maker. The case questions are answered at the end of the chapter.

## Where We're Headed

"Disclosure overload" is a frequent complaint by companies and investors alike. The notes to the financial statements can be very useful, but they are costly for companies to prepare and difficult for many users to sift through and understand. In response to that concern, the FASB has been developing a framework intended to make disclosures more effective and less redundant. In August of 2018, the FASB issued an addition to Concepts Statement No. 8, titled *Chapter 8: Notes to Financial Statements*, which suggests a series of questions that the FASB and its staff should consider when determining what notes should be required by new standards.<sup>46</sup> A separate part of the project will develop further guidance to help companies apply judgment when meeting disclosure requirements.

## Where We're Headed

These boxes describe the potential financial reporting effects of many of the FASB's proposed projects that have not yet been adopted, as well as joint proposed projects with the IASB. Where We're Headed boxes allow instructors to deal with ongoing projects to the extent they desire.

### Additional Consideration

In Illustration 5-5, if Sporting Goods Inc. had prepaid The Shoe Company for delivery of the shoes in two years, rather than buying now and paying later, Sporting Goods Inc. would be viewed as providing a two-year loan to The Shoe Company. Assuming that Sporting Goods Inc. pays The Shoe Company \$41,323, the present value of \$50,000 for two periods at 10%, The Shoe Company would record interest expense and Sporting Goods Inc. would record interest revenue of \$8,677 ( $\$50,000 - \$41,323$ ) over the two-year period. When delivery occurs in two years, The Shoe Company records sales revenue of \$50,000 and Sporting Goods Inc. values the inventory acquired at \$50,000.

## Additional Consideration Boxes

These are "on the spot" considerations of important, but incidental or infrequent, aspects of the primary topics to which they relate.

**Decision Makers' Perspective**

• LO7-9

Management must evaluate the costs and benefits of any change in credit and collection policies.

**RECEIVABLES MANAGEMENT** A company's investment in receivables is influenced by several variables, including the level of sales, the nature of the product or service sold, and credit and collection policies. These variables are, of course, related. For example, a change in credit policies could affect sales. In fact, more liberal credit policies—allowing customers a longer time to pay or offering cash discounts for early payment—often are initiated with the specific objective of increasing sales volume.

Management's choice of credit and collection policies often involves trade-offs. For example, offering cash discounts may increase sales volume, accelerate customer payment, and reduce bad debts. These benefits are not without cost. The cash discounts reduce the amount of cash collected from customers who take advantage of the discounts. Extending payment terms also may increase sales volume. However, this creates an increase in the required investment in receivables and may increase bad debts.

The ability to use \_\_\_\_\_ as a method of financing \_\_\_\_\_ offers management \_\_\_\_\_

## Decision Makers' Perspective

These sections appear throughout the text to illustrate how accounting information is put to work in today's firms. With the CPA exam placing greater focus on application of skills in realistic work settings, these discussions help your students gain an edge that will remain with them as they enter the workplace. These chapter sections are complemented by a variety of Decision Makers' Perspective Cases available for assignment and designed to further develop students' decision-making abilities.

### Ethical Dilemma

The Raintree Cosmetic Company has several loans outstanding with a local bank. The debt agreements all contain a covenant stipulating that Raintree must maintain a current ratio of at least 0.9. Jackson Phillips, company controller, estimates that the 2024 year-end current assets and current liabilities will be \$2,100,000 and \$2,400,000, respectively. These estimates provide a current ratio of only 0.875. Violation of the debt agreement will increase Raintree's borrowing costs as the loans are renegotiated at higher rates.

Jackson proposes to the company president that Raintree purchase inventory of \$600,000 on credit before year-end. This will cause both current assets and current liabilities to increase by the same amount, but the current ratio will increase to 0.9. The extra \$600,000 in inventory will be used over the later part of 2025. However, the purchase will cause warehousing costs and financing costs to increase.

Jackson is concerned about the ethics of his proposal. What do you think?

## Ethical Dilemmas

Because ethical ramifications of business decisions impact so many

individuals as well as the core of our economy, Ethical Dilemmas are incorporated within the context of accounting issues as they are discussed. These features lend themselves very well to impromptu class discussions and debates, and are complemented by Ethics Cases found in the Decision Makers' Perspective Case section at the end of each chapter.

(\$ in millions)	May 31, 2020	May 31, 2019
<b>Current assets:</b>		
Cash and equivalents	\$ 8,348	\$ 4,466
Short-term investments	439	197
Accounts receivable (net)	2,749	4,272
Inventory	7,367	5,622
Prepaid expenses and other current assets	1,653	1,968
<b>Total current assets</b>	<b>\$20,556</b>	<b>\$16,525</b>

Source: Nike, Inc.

**Illustration 3-3**  
Current Assets—Nike, Inc.  
**Real World Financials**

## Real-World Examples

Chapter discussion is enhanced by bountiful real company examples and excerpts from actual financial statements to add realism and garner student engagement with the topics being presented.

<p><b>Revenue Recognition and Accounts Receivable (in part): Returns</b></p> <p>Sales revenue and cost of sales reported in the statement of operations are reduced to reflect estimated returns. We record an estimated right of return liability for returns at the time of sale based on historical trends, current pricing and volume information, other market-specific information, and input from sales, marketing, and other key management personnel. The liability accrued reflects the variable consideration not expected to be received. The estimated value of the return to the customer's inventory is recorded as an asset. These procedures require the exercise of significant judgments. We believe these procedures enable us to make reliable estimates of future returns. Our actual results have historically approximated our estimates. When the product is returned and verified, the customer is given credit against their accounts receivable.</p> <p>Source: AVX Corporation</p>	<p><b>Illustration 7-5</b></p> <p>Disclosure of Sales Returns Policy—AVX Corporation</p> <p><b>Real World Financials</b></p>
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## Disclosure Note Illustrations

Frequent illustrations of actual companies' disclosure notes to demonstrate how so much accounting information is reported outside the financial statements.



## Instructors: Student Success Starts with You

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Laptop: McGraw Hill; Woman/dog: George Doyle/Getty Images

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*“I really liked this app—it made it easy to study when you don't have your textbook in front of you.”*

- Jordan Cunningham, Eastern Washington University

## Everything you need in one place

Your Connect course has everything you need—whether reading on your digital eBook or completing assignments for class, Connect makes it easy to get your work done.



Calendar: owattaphotos/Getty Images

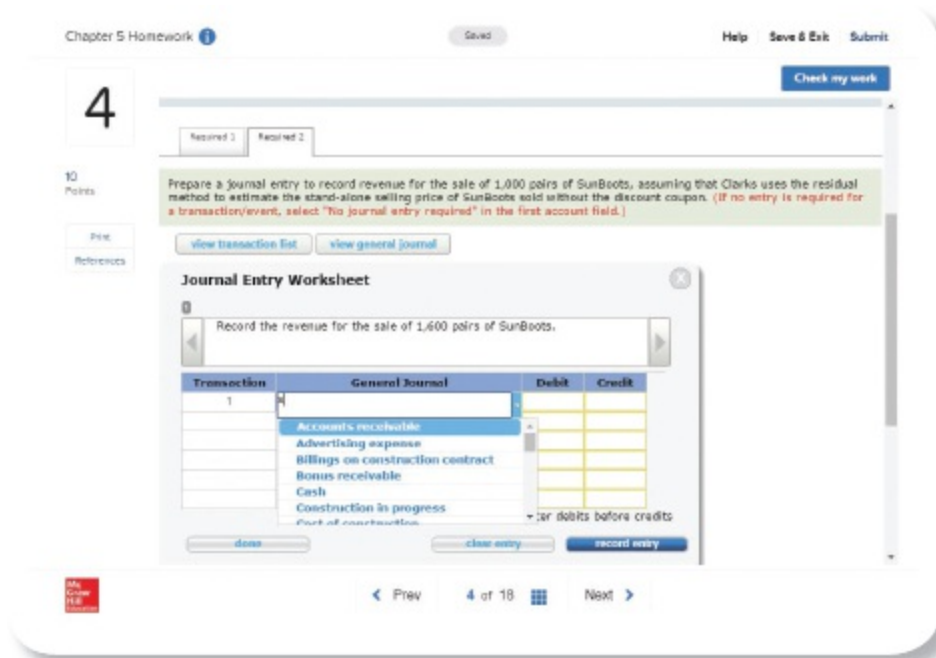
## Learning for everyone

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Top: Jenner Images/Getty Images, Left: Hero Images/Getty Images, Right: Hero Images/Getty Images

# POWERFUL ONLINE TOOLS & ASSESSMENTS



## Online Assignments

Connect 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. The extensive assignable, gradable end-of-chapter content includes a general journal application that looks and feels like what one would find in a general ledger software package.

End-of-chapter questions in Connect include:

Brief Exercises

Exercises

Problems

\*Star Problems

Decision Makers' Perspective Cases

Target and Air France Continuing Cases

Data Analytics Cases

Excel assignments

General Ledger assignments

Practice quizzes

Test banks

Review the Tableau visualization, and then answer the questions that follow.

**Total Accounts Receivable**

Amount	\$160,000
--------	-----------

**By Age Category**

Accounts Receivable

Age Category	Accounts Receivable
Not yet due	\$100,000
1-60 days past due	\$35,000
>60 days past due	\$25,000

Average % Estimated Uncollectible

Age Category	Average % Estimated Uncollectible
Not yet due	5%
1-60 days past due	20%
>60 days past due	50%

**Customer Individual Account Balance**

Age

- 0) Not yet due
- 1) 1-60 days past due
- 2) >60 days past due

Customer ID	Account Balance
101	\$1,500
103	\$1,200
105	\$1,000
106	\$1,800
111	\$1,100
113	\$1,300
119	\$1,900
127	\$1,400
129	\$1,600
139	\$1,700
147	\$1,100
152	\$1,500
156	\$1,800
165	\$1,400
168	\$1,200
179	\$1,300
180	\$1,700
182	\$1,500
185	\$1,900
189	\$1,600
194	\$1,400
196	\$1,800
197	\$1,500
200	\$1,700
202	\$1,300
212	\$1,100
216	\$1,200
221	\$1,400
224	\$1,000

**Required:**

Complete this question by entering your answers in the tabs below.

Required 1   Required 2   Required 3   Required 4   Required 5

Estimate the amount of uncollectible receivables. (Round your answers to 1 decimal place.)

Age group	Amount
Not yet due	
1 to 60 days past due	
> 60 days past due	

< Required 1   Required 2 >

## NEW! Data Analytics

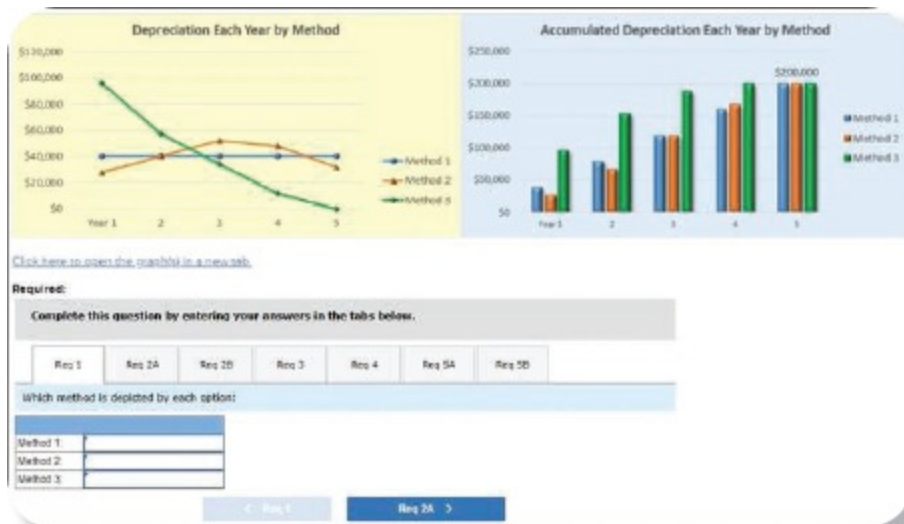
Data analytics is an enormously in-demand skill among employers. Students who can interpret data and effectively communicate their findings to help businesses make better-informed decisions are in high-demand. Instructors can visit Connect to find a variety of auto-graded Data Analytics activities to introduce students to seeing data presented in the types of visual formats they'll see in today's business environments. These exercises have been thoughtfully developed and scaffolded to build data analytics exposure and skills. Assignable,

auto-gradable materials include:

**Data Visualizations**—Familiarize students with data visualizations. Students interpret data in a static visual to answer accounting questions.

**Tableau Dashboard Activities**—Easily introduce students to Tableau. Students learn to gather the information they need from a live embedded Tableau dashboard—no prior knowledge of Tableau is needed.

**Applying Tableau cases**—Build student’s data analytics skills. Students download an Excel file and build a Tableau dashboard with video tutorial guidance. Once they’ve completed their dashboard, they’ll use it to answer auto-graded questions in Connect.





In the Chapter 5 Applying Tableau, you compared two companies' profitability. For this case, you continue in your role as an analyst conducting research into the relative merits of investing in one or both of these companies. You will assess the companies' fixed asset turnover ratios to determine which company utilizes its fixed assets most efficiently to generate sales. The fixed-asset turnover ratio is calculated as net sales divided by average fixed assets.

**Tableau Instructions:**

For this case, you will create a calculation and produce bar charts of the fixed-asset turnover ratio that allow you to compare and contrast the two companies.

Use the following steps to create the charts you'll need for this case:

1. Use the link to download the Excel data set.
2. Open Tableau and connect to the Excel file.
3. Click on the Sheet 1 tab, at the bottom of the canvas, to the right of the Data Source at the bottom of the screen.
4. Drag "Company" and "Year" to the Rows shelf. Change "Year" to discrete by right-clicking and selecting "discrete."
5. Drag the "Average Fixed Assets" and "Net sales" under Measure Names to the Rows shelf. Change each to discrete. *Note: You must drag accounts into the Rows shelf if you are going to use them in calculated fields and need an aggregated sum. If this is not done first, your answer will not match the solutions.*
6. Under the Analysis tab, select Create Calculated Pairs. Create a measure named "Fixed Asset Turnover" by dragging "Net sales" from the Rows shelf to the Calculation Editor window, typing a division sign for division, and then dragging "Average Fixed Assets" from the Rows shelf beside it. Make sure the window says that the calculation is valid and click OK.
7. Drag the newly created "Fixed Asset Turnover" from Measure Names to the Rows shelf.
8. Right-click the "Net sales" and "Average Fixed Assets" on the Rows shelf and unclick "Show header." This will hide these items from view but still allow them to be used in the formulas.
9. Click on the "Show Me" tab in the upper right corner and select "side-by-side bars." You should now see for each company, bars that represent the Fixed Asset Turnover Ratio for each of the years of the dataset 2012 to 2021. Add labels to the bars by clicking on "Label" under the Marks card and clicking the box "Show mark label."
10. Change the title of the sheet to be "Fixed Asset Turnover Ratio Bar Chart" by right-clicking and selecting "Edit title." Change the title of "Sheet 1" to match the sheet title by right-clicking, selecting "Rename" and typing in the new title.
11. Save your work.

**Required:**

Based upon what you find, answer the following questions:

1. What is the fixed-asset turnover ratio for Big Store (a) in 2012 and (b) in 2021? (Round your answers to 2 decimal places.)
2. What is the fixed-asset turnover ratio for Discount Goods (a) in 2012 and (b) in 2021? (Round your answers to 2 decimal places.)
3. Comparing the two companies' fixed-asset turnover ratios over the ten-year period, which company exhibits the most favorable fixed-asset turnover?
4. Comparing Big Store's fixed-asset turnover ratios over the ten-year period, is the company's turnover (a) generally increasing, (b) roughly the same, or (c) generally decreasing from year to year?

Applying Tableau	Fixed-asset turnover ratio for Big Store
(A)	2012
(B)	2021
Fixed-asset turnover ratio for Discount Goods	

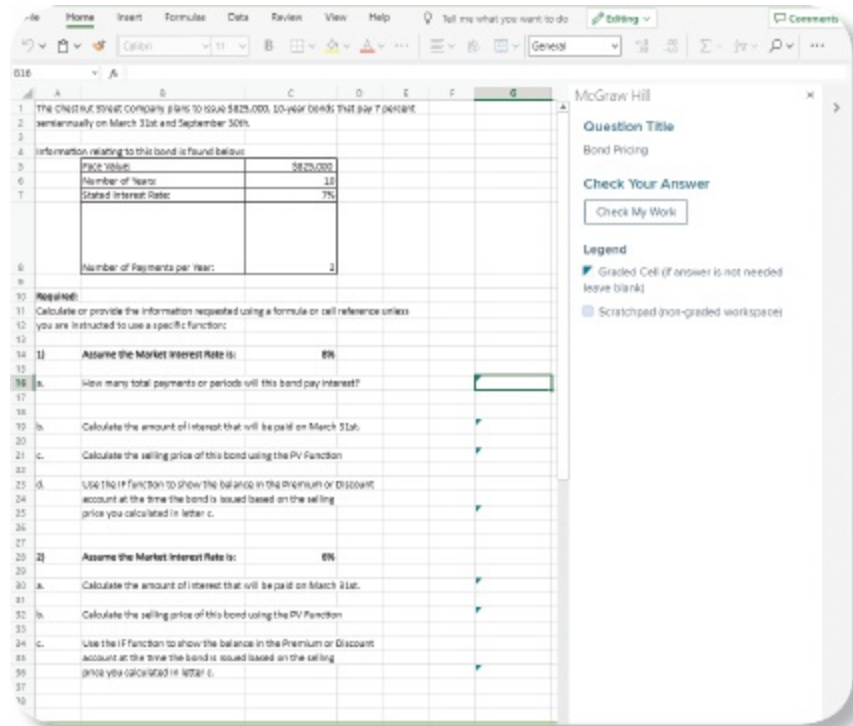
The screenshot displays a General Ledger interface with several T-accounts and a trial balance. The T-accounts are organized into columns: Cash, Accounts Receivable, Inventory, Land, Equipment, Accumulated Depreciation—Equipment, Software, Accumulated Amortization, Accounts Payable, Notes Payable (short-term), Common Stock, and Retained Earnings. Each T-account shows debits and credits for various dates. A trial balance is shown on the right, listing account titles with their respective debit and credit balances. A red box highlights the 'Accounts Receivable' account in the trial balance, which has a debit balance of 10.

## General Ledger Problems

General Ledger Problems allow students to see how transactions flow through the various financial statements. Students can audit their mistakes by easily linking back to their original journal entries. Many



General Ledger Problems include an analysis tab that allows students to demonstrate their critical thinking skills and a deeper understanding of accounting concepts.



## Integrated Excel

**NEW! Integrated Excel** assignments pair the power of Microsoft Excel with the power of Connect. A seamless integration of Excel within Connect, Integrated Excel questions allow students to work in live, auto-graded Excel spreadsheets—no additional logins, no need to upload or download files. Instructors can choose to grade by formula or solution value, and students receive instant cell-level feedback via integrated Check My Work functionality.

### Deferred Tax Liabilities

(\$ in thousands)	Current Year Year 3	Future Taxable Amounts
Pretax accounting income	\$100	
Temporary difference:		
Depreciation	20	\$ 0
Taxable income (tax return)	\$120	
Enacted tax rate	25%	25%
Tax payable	\$ 30	\$ 0

**Step 1: Tax payable: \$30**  
**Step 2: DTL end bal: \$0**  
**Step 3: DTL change: \$(5)**  
**Step 4: Tax exp plug: \$25**

**Deferred Tax Liability**

(\$)	5
------	---

**Journal Entry at the End of Year 3**

Income tax expense (to balance)	25	
Deferred tax liability (determined above)		5
Income tax payable (determined above)		30

## Concept Overview Videos

**Concept Overview Videos** provide engaging narratives of key topics in an assignable and interactive online format. These videos follow the structure of the text and are available with all learning objectives within each chapter of *Intermediate Accounting*. The Concept Overview Videos provide additional explanation of material in the text, allowing students to learn at their own pace—and test their knowledge with assignable questions.

2. On August 31, year 1, the company borrowed \$88,000 from a local bank. The note requires principal and interest at 9% to be paid on August 31, year 2.

AZMIE WHOLESALE FOOD COMPANY General Journal			
Date	Account Title and Explanation	Debit	Credit
June 30	Interest expense	1,980	
	Interest payable		1,980

Principal	×	Interest rate	×	Time
\$88,000	×	9%	×	$\frac{3}{12}$
= \$1,980				

## Guided Example/Hint Videos

The **Guided Examples** in Connect provide a narrated, animated, step-by-step walk-through of select exercises similar to those assigned. These short videos are presented to students as hints and provide reinforcement when students need it most. Instructors have the option of turning them on or off.

The Wyndham Wholesale Company began operations on August 1. The following transactions occur during the month of August.

- a. The company receives \$50,000 cash from owners and issues 5,000 shares of common stock.
- b. Equipment is purchased for \$20,000 cash.
- c. On the first day of August, \$6,000 rent on office space is paid for the months of August, September, and October (\$2,000 month).
- d. Inventory costing \$38,000 is purchased on account. The company uses the perpetual inventory system.
- e. \$30,000 is borrowed from a local bank, and a note payable is signed.
- f. Credit sales for the month are \$40,000. The cost of inventory sold is \$22,000.
- g. \$15,000 is collected on account from customers.
- h. \$20,000 is paid on account to suppliers of inventory.
- i. Cash of \$2,000 was received from a customer for consulting services to be provided later in August and completed in early September.
- j. Salaries of \$7,000 are paid to employees for August.
- k. A bill for \$2,000 is received from the local utility company for the month of August.
- l. \$20,000 cash is loaned to another company, evidenced by a note receivable.
- m. The company pays its shareholders a cash dividend of \$1,000.



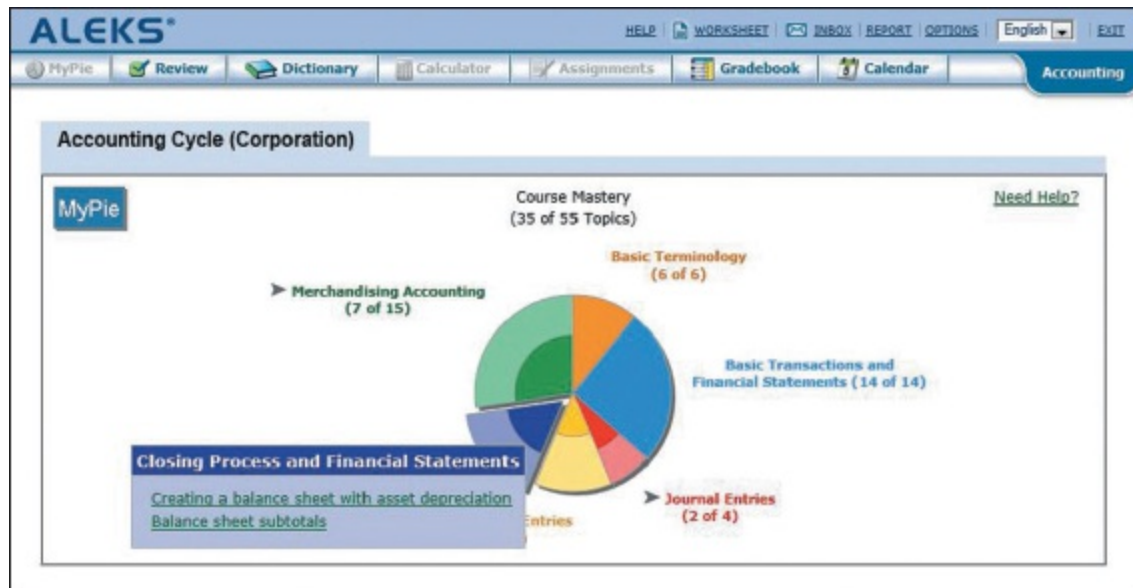
## New Concept Review Exercise Videos

The **Concept Review Exercise videos** relate to select Concept Review sections in the text, showing students how to solve certain exercises. In walking students through a particular scenario or question, these videos model how students can approach problem solving.

## CPA SIMULATIONS

McGraw Hill Education has partnered with UWorld Roger CPA Review, a global leader in CPA Exam preparation, to provide students a smooth transition from the accounting classroom to successful completion of the CPA Exam. While many aspiring accountants wait until they have completed their academic studies to begin preparing for the CPA Exam, research shows that those who become familiar with exam content earlier in the process have a stronger chance of successfully passing the CPA Exam. Accordingly, students using these McGraw Hill materials will have access to sample CPA Exam Multiple-Choice questions and Task-Based Simulations from UWorld Roger CPA Review, with expert-written explanations and solutions. All questions are either directly from the AICPA or are modeled on AICPA questions that appear in the exam. Task-Based Simulations are delivered via the UWorld Roger CPA Review platform, which mirrors the look, feel, and functionality of the actual exam. McGraw Hill Education and UWorld Roger CPA Review are dedicated to supporting every accounting student along their journey, ultimately helping them achieve career success in the accounting profession. For more information about the full UWorld Roger CPA Review program, exam requirements, and exam content, visit <https://accounting.uworld.com/cpa-review/>.

# ALEKS®



## ALEKS Accounting Cycle

ALEKS Accounting Cycle is a web-based program that provides targeted coverage of prerequisite and introductory material necessary for student success in Intermediate Accounting. ALEKS uses artificial intelligence and adaptive questioning to assess precisely a student's preparedness and deliver personalized instruction on the exact topics the student is **most ready to learn**. Through comprehensive explanations, practice, and immediate feedback, ALEKS enables students to quickly fill individual knowledge gaps in order to build a strong foundation of critical accounting skills. Better prepared students save you valuable time at the beginning of your course!

Use ALEKS Accounting Cycle as a pre-course assignment or during the first weeks of the term to see improved student confidence and performance, as well as fewer drops.

### ALEKS Accounting Cycle Features:

**Artificial Intelligence:** Targets Gaps in Prerequisite Knowledge

**Individualized Learning and Assessment:** Ensure Student Preparedness

**Open-Response Environment:** Avoids Multiple-Choice and

Ensures Mastery

**Dynamic, Automated Reports:** Easily Identify Struggling Students

For more information, please visit: [www.aleks.com/highered/business](http://www.aleks.com/highered/business).

Read [ALEKS Success Stories:](http://www.aleks.com/highered/business/success_stories)  
[www.aleks.com/highered/business/success\\_stories](http://www.aleks.com/highered/business/success_stories).

# Flexible & Effective Teaching Resources

## INSTRUCTOR LIBRARY

The **Connect** Instructor Library is a repository of additional resources to improve student engagement in and out of class. You can select and use any asset that enhances your lecture. The Connect Instructor Library includes:

### In-Class Presentation Tools

**PowerPoints** Three types of PowerPoint decks are available, each responding to a different instructional need:

- **Lecture PowerPoints with Concept Checks:** Allow instructors to intersperse short exercises that students can solve individually or do in groups before an answer is “revealed.”
- **Lecture PowerPoints without Concept Checks:** No questions included, mirror presentation from book with key illustrations and notes.
- **Accessible PowerPoints:** Allow slide content to be read by a screen reader and provide alternative text descriptions for any image files. Accessible PowerPoints are also designed with high-contrast color palettes and use texture instead of color whenever possible to denote different

aspects of imagery.

**Digital  
Image  
Library**

High-resolution images of all illustrations from the text.

**Instruction Resources**

**Instructor's  
Manual**

Specific to each chapter, contains *Authors' Perspectives* sections that offer insights from the authors on how they view the chapter's key topics and teach them to their students. There are also suggestions for in-class activities including real world scenarios, group research activities, IFRS activities, and professional skills development activities. Assignment charts are provided with topics and estimated completion times.

**Solutions  
Manual**

Created by the authors, includes solutions to end-of-chapter content.

**Updates**

Stop here for all the most recent updates from FASB. Our authors work tirelessly to keep you current—for instance, within a month of the CARES Act, our authors had posted an updated PowerPoint deck, video walkthrough, and teaching tip material on how to address the new updates. We have your back!

**Test Bank**

**Connect  
Test Bank**

Multiple-choice, true/false, and worksheet questions are all available to help assess students throughout all levels from understanding to evaluation.

Available within Connect, Test Builder is a cloud-based tool that enables instructors to format tests that can be printed or administered within a LMS. Test Builder offers a modern, streamlined interface for easy content configuration that matches course needs without requiring a download.

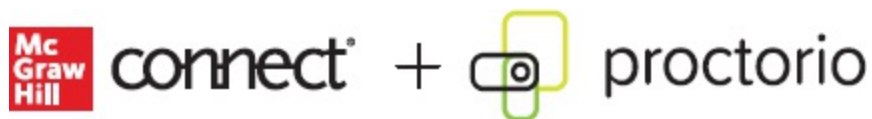


Test Builder allows you to:

- Access all test bank content from a particular title.
- Easily pinpoint the most relevant content through robust filtering options.
- Manipulate the order of questions or scramble questions and/or answers.
- Pin questions to a specific location within a test.
- Determine your preferred treatment of algorithmic questions.
- Choose the layout and spacing.
- Add instructions and configure default settings.

Test Builder provides a secure interface for better protection of content and allows for just-in-time updates to flow directly into assessments.

## Remote Proctoring & Browser-Locking Capabilities



New remote proctoring and browser-locking capabilities, hosted by Proctorio within Connect, provide control of the assessment environment by enabling security options and verifying the identity of the student.

Seamlessly integrated within Connect, these services allow instructors to control students' assessment experience by restricting browser

activity, recording students' activity, and verifying students are doing their own work.

Instant and detailed reporting gives instructors an at-a-glance view of potential academic integrity concerns, thereby avoiding personal bias and supporting evidence-based claims.

## **MCGRAW HILL EDUCATION CUSTOMER EXPERIENCE GROUP CONTACT INFORMATION**

At McGraw Hill Education, 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 contact our Product Specialists 24 hours a day to get product training online. Or you can search the 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.

# What's New in the Eleventh Edition?

Spiceland is the new global standard for providing students the most accessible, comprehensive, and current Intermediate Accounting learning system. We take seriously the confidence the marketplace has accorded our text. Each revision carefully considers how the print and digital content work together to coordinate improvements in content and industry-leading technology to provide the most robust learning solution. The Spiceland team implements only those changes that constitute real improvements as identified through extensive research with users. The result is a learning system that enhances our reputation for providing the best preparation for passing the CPA exam and successful accounting careers.

## Improvements to this edition include the following:

Updated and revised **real-world** illustrations, assignments, and discussions.

Revised Continuing Cases featuring **Target Corporation** financial statements prepared using U.S. GAAP, *auto-gradable in Connect*. A comprehensive version of the case is available in Appendix B.

Revised Continuing Cases featuring **Air France–KLM** financial statements prepared using IFRS, *auto-gradable in Connect*. A comprehensive version of the case is available in Appendix C.

Incorporated the latest technology, including:

**NEW! Data Analytics** activities provide students the opportunity to experience the power and efficacy of data analytics in the context of each chapter's topics, using Tableau as a tool, that are *auto-gradable in Connect*. Materials include **Data Visualizations**,

## **Tableau Dashboard Activities, and Applying Tableau Cases.**

**NEW! Integrated Excel assignments** that allow students to practice their Excel skills within the context of accounting (*auto-gradable in Connect*).

**NEW! Concept Review Exercise Videos** show students how to solve select review exercises.

**NEW!** Most **Decision Makers' Perspective** cases are now *auto-gradable in Connect*.

**General Ledger Problems** that auto-post from journal entries to T-accounts to trial balances (*auto-gradable in Connect*).

**Concept Overview Videos** that provide engaging narratives of key topics in an assignable and interactive online format (*assignable in Connect*).

**Guided Example/Hint Videos** in Connect that provide a narrated, animated, step-by-step walk-through of select exercises that provide reinforcement when students need it most (can be turned on or off by instructors).

## **Chapter 1**

### **ENVIRONMENT AND THEORETICAL STRUCTURE OF FINANCIAL ACCOUNTING**

Revised the discussion of Sarbanes-Oxley to focus on the most important attributes.

Revised the discussion of financial reporting reforms to include critical audit matters.

Revised the discussion of measurement attributes included in the conceptual framework.

Added an IFRS box covering changes in the IFRS conceptual framework.

Revised the Where We're Headed box covering possible changes in the FASB's conceptual framework.

Added a Research Case focused on the Accounting Standards Codification.

Revised multiple Decision Makers' Perspective cases to make them auto-gradable.

Revised **Target** and **Air France-KLM** cases and made them auto-gradable.

## **Chapter 2**

## REVIEW OF THE ACCOUNTING PROCESS

Added a new unnumbered illustration of the basic accounting equation in LO2–1.

Revised Illustrations 2–1 and 2–3.

Revised and shortened discussion of account relationships in LO2–1.

Modified each Concept Review Exercise to include deferred revenue transaction.

Revised the discussion of adjusting entries in LO2–5.

Converted for auto-grading Decision Makers' Perspective.

**Target and Air France–KLM** continuing cases are now auto-gradable.

## Chapter 3

### THE BALANCE SHEET AND FINANCIAL DISCLOSURES

Updated all real-world illustrations to the most recent information.

Added a discussion of new disclosures of operating leases to long-term assets.

Added a discussion of new disclosures of operating leases to current and long-term liabilities.

Revised Illustration 3–10 to include **Nike**.

Revised Illustration 3–11 to **Hyatt Hotels**.

Added an example of impact of COVID-19 on MD&A disclosure for **Darden Restaurants** in Illustration 3–12 and for going concern opinion for **RTW Retailwinds** for Illustration 3–16.

Added a new section on Sustainability Disclosures, along with new Brief Exercise.

Converted for auto-grading Decision Makers' Perspective cases.

**Air France–KLM** continuing case is now auto-gradable.

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## Chapter 4

### THE INCOME STATEMENT, COMPREHENSIVE INCOME, AND THE STATEMENT OF CASH FLOWS

Updated all real-world illustrations to the most recent information.

Changed the feature story to **Campbell Soup Company**.

Changed Illustration 4–5 to **Estée Lauder Companies**.

Revised the discussion of non-GAAP earnings and included an example of **Nvidia**.

Revised the opening example of discontinued operations.

Revised substantially the entire section on comprehensive income.

Revised the discussion on statement of cash flows by including an example with successive balance sheets.

Decision Makers' Perspective cases are now auto-gradable.

**Air France–KLM** continuing case is now auto-gradable.

## Chapter 5

### TIME VALUE OF MONEY CONCEPTS

Updated all real-world illustrations to the most recent information.

Included Excel functions in the margins for many time value calculations.

Revised the unnumbered illustration in LO5–2 on future value.

Revised the unnumbered illustration in LO5–3 on present value.

Clarified the discussion of ordinary annuity versus annuity due, as well as corresponding un- numbered illustrations.

Added a new Illustration 5–13 for present value of annuity due.

Revised the discussion of deferred annuity to improve clarity.

Added a new Summary section with Excel.

Added an Excel icon and functions in several places.

Decision Makers' Perspective cases are now auto-gradable.

Revised **Target** continuing case to include operating leases.

## Chapter 6

### REVENUE RECOGNITION

Revised the introduction to reduce coverage of revenue-recognition standards in place prior to ASC 606.

Added a discussion of **Peloton Interactive, Inc.**, as offering contracts with multiple performance obligations.

Revised Illustration 6–16 to show **Emcor Group, Inc.**'s disclosure of variable consideration.

Revised Illustration 6–18 to show **Amazon**'s disclosure of its roles as a principal and agent.

Revised Illustration 6–22 to show the **Walt Disney Company**'s disclosure of revenue recognition with respect to licenses.

Added a COVID-19 box discussing accounting for revenue associated with vaccines.

Added a Real World Case concerning determining progress toward completion for **Verizon**, **Lockheed Martin**, and **TriNet**.

Added a Research Case regarding codification.

Added a Real World Case concerning revenue recognition and time value of money for

### **Deere & Company.**

Added a Real World Case concerning estimating stand-alone selling prices for **eBay**, **Oracle**, **Lockheed Martin**, and **EMCOR**.

Added two Trueblood Cases dealing with identifying performance obligations and principal v. agent considerations.

Revised multiple Decision Makers' Perspective cases to make them auto-gradable.

Revised **Target** and **Air France–KLM** cases and made them auto-gradable.

## **Chapter 7**

### **CASH AND RECEIVABLES**

Added a COVID-19 box discussing delayed CECL implementation under the CARES Act.

Revised the discussion of sales of accounts receivable (with and without recourse) to enhance clarity.

Revised the discussion of accounts receivable turnover, and comparison between **NortonLifeLock, Inc.** and **Broadcom, Inc.**

Added a COVID-19 box discussing suspension of accounting for troubled debt restructurings.

Added questions with respect to COVID-19 boxes.

Added a new problem regarding **Dell Technologies'** accounting for bad debts.

Added a Real World Case regarding accounting for sales returns and receivables by **Toughbuilt Industries, Inc.**

Added a Trueblood case regarding financing with receivables.

Revised multiple Decision Makers' Perspective cases to make them auto-gradable.

Revised **Target** and **Air France–KLM** cases and made them auto-gradable.

## **Chapter 8**

### **INVENTORIES: MEASUREMENT**

Updated all real-world illustrations to the most recent information.

Revised Illustration 8–4 to include cost of goods sold entry.

Revised Illustration 8–7C for greater clarity.

Revised Illustration 8–7D for greater clarity.

Created a new Illustration 8–10 and revised discussion of LIFO reserve.

Revised the Concept Review Exercise on inventory cost flow assumptions.

Added Analysis Case for **Coca-Cola** and **Pepsico**.

Decision Makers' Perspective cases are now auto-gradable.

## Chapter 9

### INVENTORIES: ADDITIONAL ISSUES

Updated all real-world illustrations to the most recent information.

Revised the introduction to the retail inventory method.

Revised Illustration 9–8.

Decision Makers' Perspective cases are now auto-gradable.

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## Chapter 10

### PROPERTY, PLANT, AND EQUIPMENT AND INTANGIBLE ASSETS: ACQUISITION

Updated all real-world illustrations to most recent information.

Changed the feature story to **Microsoft Corporation**.

Revised Illustration 10–1 and Illustration 10–2 to include **Microsoft Corporation**.

Added additional intangible assets to Illustration 10–3.

Revised the discussion of the categories of intangible assets.

Revised the discussion of deferred payments and Illustration 10–10.

Clarified the discussion of donated assets and government grants.

Added Analysis Case for **Darden Restaurants** and Real World Case for **Salesforce.com**.

Decision Makers' Perspective cases are now auto-gradable.

## Chapter 11

### PROPERTY, PLANT, AND EQUIPMENT AND INTANGIBLE ASSETS: UTILIZATION AND DISPOSITION

Updated all real-world illustrations to the most recent information.

Revised Illustration 11–1 and its discussion.

Revised Illustration 11–9 to include **Kinder Morgan**.

Revised Illustration 11–21 to include **Starbucks Corporation** and the impact of COVID-19 on impairment of property, plant, and equipment.

Revised Illustration 11–24 to include **Carnival Corporation** and the impact of COVID-19 on goodwill impairment.



Added a COVID-19 box related to impairment of property, plant, and equipment.  
Added a COVID-19 box related to goodwill impairment.  
Decision Makers' Perspective cases 11–1 through 11–9 are now auto-gradable.

## Chapter 12

### INVESTMENTS

Revised Illustration 12–15 to better convey calculations relevant to the equity method.  
Revised the discussion of changes in levels of ownership using **SoftBank**, **T-Mobile**, **Toyota**, and **Subaru** as examples.  
Added a COVID-19 box discussing delayed CECL implementation under the CARES Act.  
Added an exercise covering recovery of impairments under IFRS.  
Added a Research Case regarding codification.  
Added a Real World Case regarding **Cisco Systems**' accounting for available-for-sale investments.  
Added a Real World Case regarding **General Motors**' accounting for other comprehensive income related to available-for-sale investments.  
Added a Trueblood case regarding accounting for equity for which fair value is not readily determinable.  
Revised multiple Decision Makers' Perspective cases to make them auto-gradable.  
Revised **Target** and **Air France–KLM** cases and made them auto-gradable.

## Chapter 13

### CURRENT LIABILITIES AND CONTINGENCIES

Added a Where We're Headed box discussing potential changes to the definition of a liability in the FASB's conceptual framework.  
Changed Illustration 13–14 to cover **Microsoft**'s discussion of a loss contingency.  
Changed Illustration 13–15 to cover **Gilead Sciences, Inc.**'s discussion of a loss contingency.  
Changed Illustration 13–21 to cover **Yum! Brands, Inc.**'s disclosure of a lawsuit.  
Added a COVID-19 box discussing **Dave & Buster's Entertainment, Inc.**'s disclosure of that subsequent event.  
Added a COVID-19 box discussing deferral of FICA taxes.  
Added an exercise including **Marriott International, Inc.**'s classification of debt.  
Added a Real World Case covering **Honda Motor Company, Ltd.**'s disclosure of lawsuits.  
Revised multiple Decision Makers' Perspective cases to make them auto-gradable.  
Revised **Target** and **Air France–KLM** cases and made them auto-gradable.

## Chapter 14

### BONDS AND LONG-TERM NOTES

Added a real-world disclosure on callable bonds.

Revised the discussion of bond issuance to include Google owner **Alphabet, Inc.**'s \$10 billion issue of corporate debt for environment and social endeavors.

Expanded and highlighted assignment materials focusing on financial statement effects.

Added a COVID-19 box to discuss the effect of the pandemic on bond accounting issues.

Revised the Decision Makers' Perspective demonstrating the calculation and interpretation of risk ratios.

Added two COVID-19 exercises to illustrate accounting for Payroll Protection Program forgivable loans.

Added a Real World Case on the way long-term debt is reported in **Macy's** financial statements.

Added an Analysis Case debating two approaches to account for convertible debt.

Added a Research Case using a disclosure note to illustrate accounting for convertible bonds and find the Codification citation to support that accounting.

## Chapter 15

### LEASES

Revised the Financial Reporting Case introducing the chapter.

Expanded the Decision Makers' Perspective discussion on the motivation for manipulate lease terms to have leases structured as operating leases.

Expanded the discussion of the effect of a residual value (guaranteed and unguaranteed) on the lessor's accounting for sale-type leases.

Added a COVID-19 box to discuss the effect of the pandemic on lease accounting issues.

Added an Exercise using a **Microsoft** disclosure note to examine how leases are reporting in a statement of cash flows.

Added a Real World Case using a **Microsoft** disclosure note to illustrate differences between finance leases and operating leases.

Added a Real World Case using information from **Walmart's** financials to illustrate reporting requirements for finance leases and operating leases and lease accounting concepts.

Added a COVID-19 case to practice the CARES Act impact on accounting for the modification of lease terms.

Added a Real World Case (**FedEx**) using a disclosure note to illustrate how leases are reporting in a statement of cash flows.

## Chapter 16

### ACCOUNTING FOR INCOME TAXES

Modified Illustration 16–6 to include **Pier 1 Imports, Inc.**'s Valuation Allowance.

Modified Illustrations 16–7A–7C and 16–10 to demonstrate deferred tax accounting with the financial statements of **Citi Trends, Inc.**

Revised an Additional Consideration to discuss taxes on unrepatriated foreign earnings using the financial statements of **Goldman Sachs Group, Inc.** as well as **JPMorgan Chase & Co.**

Added a COVID-19 box detailing how the CARES Act modified accounting for the tax effects associated with NOLs.

Modified Illustration 16–14 to show **Walmart, Inc.**'s disclosure of deferred taxes.

Added questions, brief exercises, exercises, problems, and cases dealing with accounting for the effects of COVID-19.

Added a brief exercise regarding **Uber Technologies, Inc.**'s valuation allowance.

Added an exercise showing accounting for net operating loss carryforwards.

Added Real World Cases to illustrate accounting for taxes for **Buckle, Francesca's Holdings Corporation, CVS Health, and Marathon Petroleum Corporation.**

Added a Research Case regarding codification.

Revised multiple Decision Makers' Perspective cases to make them auto-gradable.

Revised **Target** and **Air France–KLM** cases and made them auto-gradable.

## Chapter 17

### PENSIONS AND OTHER POSTRETIREMENT BENEFIT

Expanded the discussion of the financial reporting effects to provide additional emphasis that the PBO and plan assets are netted together on the balance sheet rather than being separately reported.

Added a real-world disclosure note (**General Mills**) on components of pension expense.

Added a new problem using a **Clorox** disclosure note to illustrate financial statement effects of actuarial gains and losses.

Revised and expanded a Real World Case using **FedEx** disclosure notes to illustrate reporting postretirement plans.

Added a Research Case asking students to research the way changes in postretirement benefit estimates are reported and to find the Codification citation to support that accounting.

## Chapter 18

## SHAREHOLDERS' EQUITY

Revised the Financial Reporting Case introducing the chapter.

Added a discussion of a statement of retained earnings as an alternative for some companies to a statement of changes in shareholder's equity.

Added a COVID-19 box to discuss the effect of the pandemic on shareholders' equity.

Replaced a Microsoft Brief Exercise with a **Target** Brief Exercise.

Added a **Tesla** news release concerning a five-for-one stock split.

Added a COVID-19 exercise to practice the CARES Act impact on accounting for Payroll Support Program loans.

Added an Analysis Case using a disclosure note to demonstrate accounting for the issuance of stock and share issue costs.

## Chapter 19

### SHARE-BASED COMPENSATION AND EARNINGS PER SHARE

Abbreviated the discussion on the debate leading to the requirement to expense stock options given the time lapse since that debate.

Replaced a **Facebook** exercise with a **FedEx** Exercise centered on a share-based compensation disclosure note.

Replaced a **Tesla** exercise with a **Microsoft** Exercise centered on an employee stock purchase plan disclosure note.

Replaced the **Air France Case** to highlight the similarities and terminology differences in EPS reporting.

## Chapter 20

### ACCOUNTING CHANGES AND ERROR CORRECTIONS

Added a disclosure note describing a change in inventories from the FIFO method to the LIFO method by **Mueller Industries**.

Added a disclosure note describing an error correction by **Kraft Heinz**.

Added an auto-gradable Judgment Case on reporting a change in inventory method.

Added an auto-gradable Analysis Case on the impact of an error and its correction.

# Chapter 21

## STATEMENT OF CASH FLOWS REVISITED

Revised a **CVS Health Corp.** illustration of presenting cash flows from operating activities by the direct method.

Revised an **Amazon** illustration of presenting cash flows from operating activities by the indirect method.

Added a discussion of “free cash flow” analysis.

Added a Real World Case (**General Mills**) employing “free cash flow” analysis.

Added a Real World Case (**Microsoft**) using a disclosure note to illustrate how leases are reporting in a statement of cash flows.

# Appendix A

## DERIVATIVES

Revised Illustration A–1 and its discussion.

Added a COVID-19 box to discuss the effect of the pandemic on accounting for derivatives.

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