

高等院校双语教学适用教材·会计



萨里经济管理英文教材

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Financial Accounting

(6e)

Robert Libby Patricia A. Libby Daniel G. Short

财务会计学 (第6版)

(美) 罗伯特·莉比 帕特里夏·A·莉比 丹尼尔·G·肖特 著

陈艳 耿玮 译注



东北财经大学出版社
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出版者的话

当前,在教育部的的大力倡导下,财经和管理类专业的双语教学在我国各大高校已经逐步开展起来。一些双语教学开展较早的院校积累了丰富的经验,同时也发现了教学过程中存在的一些问题,尤其对教材提出了更高的要求;一些尚未进入这一领域的院校,也在不断探索适于自身的教学方式和方法以及适用的教材,以期时机成熟时加入双语教学的行列。总之,对各类院校而言,能否找到“适用”的教材都成为双语教学成功与否的关键因素之一。

然而,国外原版教材为国外教学量身定做的一些特点,如普遍篇幅较大、侧重于描述性讲解、辅助材料(如习题、案例、延伸阅读材料等)繁杂,尤其是许多内容针对性太强,与所在国的法律结构和经济、文化背景结合过于紧密等,却显然不适于国内教学采用,并成为制约国内双语教学开展的重要原因。因此,对国外原版教材进行本土化的精简改编,使之变成更加“适用”的双语教材,已然迫在眉睫。

东北财经大学出版社作为国内较早涉足引进版教材的一家专业出版社,秉承自己一贯服务于财经教学的宗旨,总结自身多年的出版经验,同麦格劳—希尔教育出版公司、培生教育出版集团和圣智出版集团等国外著名出版公司通力合作,在国内再次领先推出了会计、工商管理、经济学等专业的“高等院校双语教学适用教材”。尤其是此次双语教材是与东北财经大学萨里国际学院共同推出。东北财经大学萨里国际学院是教育部批准的、与英国萨里大学共建的中外合作办学机构。学院所有课程采取双语和全英文授课方式,因而,东北财经大学出版社与萨里国际学院携手推出此系列双语教材。这套丛书的出版经过了长时间的酝酿和筛选,编选人员本着“品质优先、首推名作”的选题原则,既考虑了目前我国财经教育的现状,也考虑了我国财经高等教育所具有的学科特点和需求指向,在教材的遴选、改编和出版上突出了以下一些特点:

- 优选权威的最新版本。入选改编的教材是在国际上多次再版的经典之作的最新版本,其中有些教材的以前版本已在国内部分高校中进行了试用,获得了一致的好评。
- 改编后的教材在保持英文原版教材特色的基础上,力求内容精要,逻辑严密,适合中国的双语教学。选择的改编人员既熟悉原版教材内容,又具有本书或本门课程双语教学的经验。
- 改编后的教材配有丰富的辅助教学支持资源,教师可在网上免费获取。
- 改编后的教材篇幅合理,符合国内教学的课时要求,价格相对较低。

本套教材是在双语教学教材出版方面的一次新的尝试。我们在选书、改编及出版的过程中得到了国内许多高校的专家、教师的支持和指导,在此深表谢意,也期待广大读者提出宝贵的意见和建议。

尽管我们在改编的过程中已加以注意,但由于各教材的作者所处的政治、经济和文化背景不同,书中的内容仍可能有不妥之处,望读者在阅读中注意比较和甄别。

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about the Authors



Robert Libby

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

Bob is a widely published author and researcher specializing in behavioral accounting. He was selected as the AAA Outstanding Educator in 2000, received the AAA Outstanding Service Award in 2006 and received the AAA Notable Contributions to the Literature Award in 1985 and 1996. He is the only person to have received all three of the Association's highest awards for teaching, service, and research. He has published numerous articles in *The Accounting Review*; *Journal of Accounting Research*; *Accounting, Organizations, and Society*; and other accounting journals. He has held a variety of offices including vice president in the American Accounting Association and is a member of the American Institute of CPAs and the editorial boards of *The Accounting Review*; *Accounting, Organizations and Society*; *Journal of Accounting Literature*; and *Journal of Behavioral Decision Making*.

Patricia A. Libby

Patricia Libby is associate professor of accounting at Ithaca College, where she teaches the undergraduate financial accounting course. She previously taught graduate and

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

Pat conducts research on using cases in the introductory course and other parts of the accounting curriculum. She has published articles in *The Accounting Review*, *Issues in Accounting Education*, and *The Michigan CPA*.

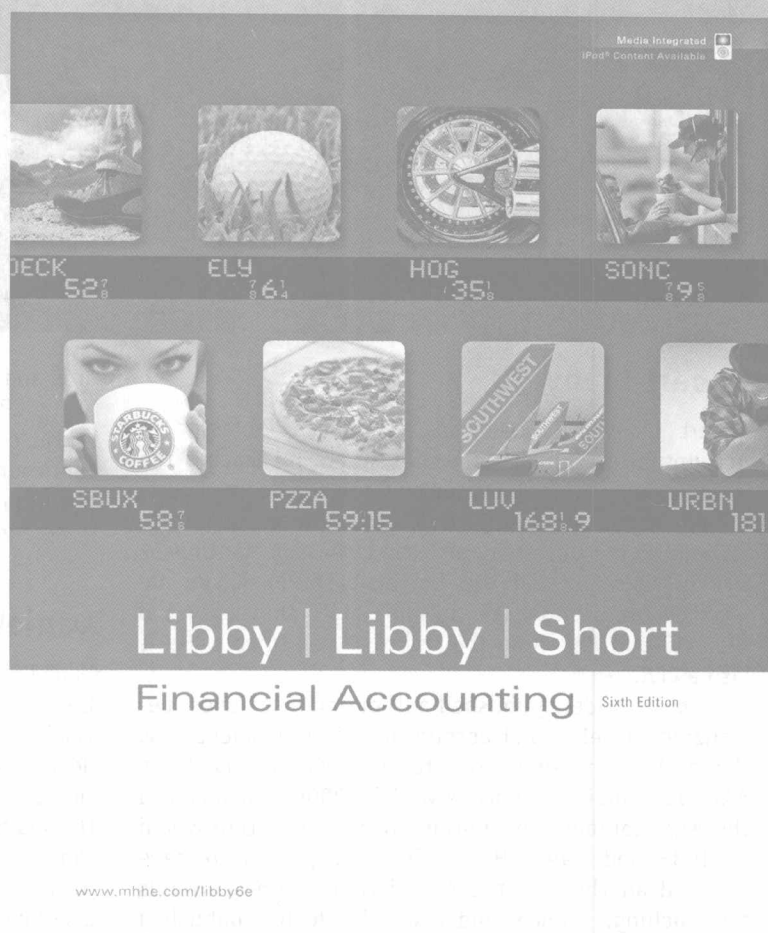
Daniel G. Short

Daniel Short is professor of accounting and former dean of the M.J. Neeley School of Business at Texas Christian University in Fort Worth, Texas. Before he joined TCU, he was dean at the Richard T. Farmer School of Business at Miami University and the College of Business at Kansas State University. Prior to that, he was associate dean at the University of Texas at Austin, where he taught the undergraduate and graduate financial accounting courses. He also taught at the University of Michigan and the University of Chicago. He received his undergraduate degree from Boston University and his MBA and PhD from the University of Michigan.

Dan has won numerous awards for his outstanding teaching abilities and has published articles in *The Wall Street Journal*, *The Accounting Review*, the *Journal of Accounting Research*, and other business journals. He has worked with a number of Fortune 500 companies, commercial banks, and investment banks to develop and teach executive education courses on the effective use of accounting information. Dan has also served on boards of directors in several industries, including manufacturing, commercial banking, and medical services. He is currently on the economic development committee of the Fort Worth Chamber of Commerce.

A trusted leader

Since it was first published, *Financial Accounting* has grown to be the market-leading financial accounting textbook on which both students and instructors rely. The award-winning author team of Bob Libby, Pat Libby, and Dan Short has made it a best-selling textbook by helping the instructor and student become partners in learning. The Libby/Libby/Short authors use a remarkable learning approach that keeps students engaged and involved in the material from the first day of class.



Financial Accounting's pioneering "focus company approach" involves students in the business decisions of real companies, demonstrating how financial accounting makes a difference in the success of a firm. That, combined with pedagogical features and technology assets that serve a variety of learning styles, makes *Financial Accounting* the textbook that both students and instructors agree is the best of its kind on the market today.

"... It systematically guides readers through financial statements with focus companies and, at the same time, integrates the transaction analysis and journal entries in every chapter." Haihang He, California State University

for both students and instructors

Libby/Libby/Short's *Financial Accounting* maintains its leadership by focusing on three key attributes:

RELEVANCY—THE PIONEERING FOCUS COMPANY

APPROACH: The Libby/Libby/Short authors first introduced their focus company approach as the best method for helping students understand financial statements and real-world implications of financial accounting for future managers. **This approach shows that accounting is relevant and motivates students by explaining accounting in a real-world context.** Throughout each chapter, the material is focused around a familiar Real company, its decisions, and its financial statements. This provides the perfect setting for discussing the importance of accounting and how businesses use accounting information. Furthering its real-world applicability, the end-of-chapter cases tie directly to the American Eagle Outfitters Annual Report in Appendix B and the contrasting report from Urban Outfitters Form 10-K in Appendix C. This gives students valuable practice reading and interpreting real financial data. In addition, real-world excerpts expand on important chapter topics with insight into how real firms use financial accounting to their competitive advantage.

CLARITY—A BUILDING-BLOCK APPROACH TO TEACHING TRANSACTION ANALYSIS:

Most faculty agree that mastery of the accounting cycle is critical to success in financial accounting. And yet all other financial books introduce and develop transaction analysis in one chapter, bombarding a student early in the course with an overload of new concepts and terms. The authors believe that most faculty take more time with the accounting cycle, but other financial accounting textbooks don't. **By slowing down the introduction of transactions and giving students time to practice and gain mastery, this building-block approach leads to greater student success in their study of later topics in financial accounting such as adjusting entries.**

TECHNOLOGY—POWERFUL TOOLS FOR TEACHING AND STUDY:

Students have different learning styles and conflicting time commitments, so they want technology tools that help them study more efficiently and effectively. **McGraw-Hill's Homework Manager and Homework Manager Plus, iPod downloadable content, and ALEKS for Financial Accounting provide students with three powerful tools tied directly to *Financial Accounting, 6e*, which will help them maximize their study time and make their learning experience more enjoyable.** In addition, the Algorithmic Test Bank allows instructors to create an infinite number of algorithm-generated quizzes and test assignments and gives students an endless number of problems with which to practice.

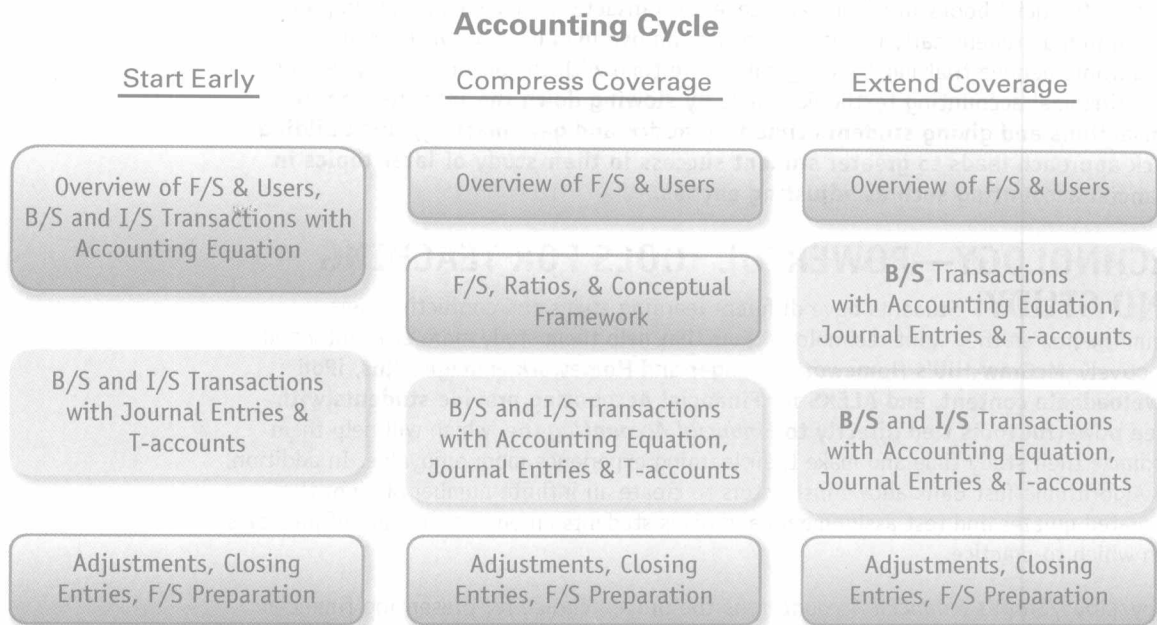
Libby/Libby/Short's *Financial Accounting* is the proven choice for presenting financial accounting in a clear, relevant manner that keeps students engaged throughout your course. Read on for more insight into what has made this textbook such a success with faculty and students.

A proven approach to

Faculty agree the accounting cycle is the most critical concept to learn and master for students studying financial accounting. The Libby/Libby/Short authors agree the accounting cycle is a critical concept. They believe students struggle with the accounting cycle when transaction analysis is covered in one chapter. If students are exposed to the accounting equation, journal entries, and T-accounts for both balance sheet and income statement accounts in a single chapter, many are left behind and are unable to grasp material in the next chapter which covers adjustments and financial statement preparation.

The market-leading Libby/Libby/Short approach covers transaction analysis over two chapters so that students have the time to master the material. In Chapter 2 of *Financial Accounting*, students are exposed to the accounting equation and transaction analysis for investing and financing transactions that only affect balance sheet accounts. This provides students with the opportunity to learn the basic structure and tools used in accounting in a simpler setting. In Chapter 3, students are exposed to more complex operating transactions that also affect income statement accounts. As a result of this slower building-block approach to transaction analysis, students are better prepared and ready to learn adjustments, financial statement preparation, and more advanced topics. After the students have developed an understanding of the complete accounting cycle and the resulting statements, Chapter 5 takes students through the corporate reporting and analysis process.

The graphic below shows a detailed comparison of the Libby/Libby/Short approach to the accounting cycle chapters compared to the approach taken by other market-leading financial accounting text books.



transaction analysis and the accounting cycle

The Libby/Libby/Short approach is **better** because it gives students more time to master transaction analysis, which is the foundation for the rest of the course.

- Students have more time to practice and feel less overwhelmed.
- Allows students to develop comfort with simpler transactions in Chapter 2 before they move onto more complex transactions in Chapter 3.
- It's intuitive and matches the sequence of establishing and then operating a business
- Builds on itself which allows more time and practice where it is needed.

"Solid presentation of t-accounts. Good that you use the same transactions in general journal format so students can see the transactions both ways. I like the transactions shown and that they reflect what is occurring in the Papa John's case."

Phil Lewis, Eastern Michigan University

"A fairly thorough overview of the adjusting and closing processes . . . The book provides a nice linkage between the closing process and the preparation of the financial statements."

Peter Woodlock Youngstown State University

"The adjusting entry process is clearly presented, which makes it easier for the students to grasp the concepts."

Rada Brooks, University of California at Berkeley

"The use of parenthesis in each journal entry is an excellent approach... Very useful for engaging non-accounting majors."

Michael Ulinski, Pace University

"I like the fact that when preparing adjusting entries that students have to calculate.... It is important for students to have to think through this process—which doesn't occur when the amount is provided."

Brian Nagel, Duquesne University

Inside the Textbook:

Financial Accounting, 6e, offers a host of pedagogical tools that complement the different ways you like to teach and the ways your students like to learn. Some offer information and tips that help you present a complex subject; others highlight issues relevant to what your students read online or see on television. Either way, *Financial Accounting's* pedagogical support will make a real difference in your course and in your students' learning.

Stock Market Reactions to Accounting Announcements

Stock market analysts and investors use accounting information to make their investment decisions. Thus, the stock market, which is based on investors' expectations about a company's future performance, often reacts negatively when a company does not meet previously specified operating targets.

A net loss does not have to occur for a company to recognize that it is experiencing difficulty. Any unexpected variance in actual performance from the operating plan, such as lower than expected quarterly earnings or sales revenue needs to be explained. On November 2, 2006, Papa John's announced its third quarter results, reporting that comparable store sales in the last month of the quarter were down 0.6% at the company stores and down 2.2% at franchised stores. The October 2006 same-store sales decrease was the first negative monthly comparison in 22 months. On October 30, 2006, Papa John's stock had been selling at \$37.79 per share. By November 3, 2006, the price dropped by \$6.84 to \$30.95 per share, an 18.1 percent decrease.*

FINANCIAL ANALYSIS

Financial Analysis

These features tie important chapter concepts to real-world decision-making examples. They also highlight alternative viewpoints and add to the critical thinking and decision-making focus of the text.

Self-Study Quiz

Research shows that students learn best when they are actively engaged in the learning process.

This active learning feature engages the student, provides interactivity, and promotes efficient learning. These quizzes ask students to pause at strategic points throughout each chapter to ensure they understand key points before moving ahead.

SELF-STUDY QUIZ

This self-study quiz allows you to practice applying the revenue principle under accrual accounting. We recommend that you refer back to the four **revenue recognition criteria** presented earlier as you answer each question. Complete this quiz now to make sure you can apply the principle. The following transactions are samples of typical monthly operating activities of Papa John's (dollars in thousands). If revenue is to be recognized in **January**, indicate the title of the revenue account and the amount of revenue to be recognized. You should refer to the Papa John's income statement presented in Exhibit 3.1 for account titles.

ACTIVITY	REVENUE ACCOUNT TITLE	AMOUNT OF REVENUE RECOGNIZED IN JANUARY
(a) In January, Papa John's company-owned restaurants sold food to customers for \$32,000 cash.		

INTERNATIONAL PERSPECTIVE

The International Accounting Standards Board and Global Convergence of Accounting Standards

IFRS

Financial accounting standards and disclosure requirements are set by national regulatory agencies and standard-setting bodies. However, since 2002, there has been substantial movement to develop international financial reporting standards (IFRS) by the International Accounting Standards Board (IASB). The current status of these standards is as follows.

Example countries requiring use of IFRS (currently or by 2011):

- European Union (United Kingdom, Germany, France, Netherlands, Belgium, Bulgaria, Poland, etc.)
- Australia and New Zealand
- India, Hong Kong, and South Korea
- Turkey
- Brazil and Chile

REAL WORLD EXCERPT
Deloitte IAS Plus
Website

International Perspective

These features **highlight the emergence of global accounting standards (IFRS)** at a level appropriate for the introductory student.

A Complete Learning System

A QUESTION OF ETHICS

Accounting and Sustainable Development

A growing area of voluntary disclosure in the United States is sustainability reporting, as described by *CFO* magazine:

REAL WORLD EXCERPT
CFO MAGAZINE

The idea that a company should conduct its business in ways that benefit not just shareholders but the environment and society, too, is called sustainability, or sustainable development. It's an idea championed by a small but growing number of companies around the globe. One business group, the World Business Council for Sustainable Development, lists some 170 international members, including more than 30 Fortune 500 companies. According to the council's website, these companies share the belief that "the pursuit of sustainable development is good for business and business is good for sustainable development."

A Question of Ethics

These boxes appear throughout the text, conveying the importance and consequences of acting responsibly in business practice.

Key Ratio Analysis

Students will be better prepared to use financial information if they learn to evaluate elements of financial performance as they learn how to measure and report them. For this reason we include relevant key ratios in each chapter in Key Ratio Analysis sections. Each Key Ratio Analysis box presents ratio analysis for the focus company in the chapter as well as for comparative companies. Cautions are also provided to help students understand the limitations of certain ratios.

Return on Equity

ANALYTICAL QUESTION:
How well has management used the stockholders' investment during the period?

RATIO AND COMPARISONS:

$$\text{Return on Equity} = \frac{\text{Net Income}}{\text{Average Stockholders' Equity}}$$

The 2006 ratio for Callaway Golf:

$$\frac{\$23,290}{(\$577,117 + \$596,048) \div 2} = 0.040 \text{ (4.0\%)}$$

FOCUS ON CASH FLOWS

Investing and Financing Activities

Learning Objective 6
Identify investing and financing transactions and demonstrate how they are reported on the statement of cash flows.

Recall from Chapter 1 that companies report cash inflows and outflows over a period in their statement of cash flows. This statement divides all transactions that affect cash into three categories: operating, investing, and financing activities. Operating activities are covered in Chapter 3. Investing activities include buying and selling noncurrent assets and investments; financing activities include borrowing and repaying debt including short-term bank loans, issuing and repurchasing stock, and paying dividends. When cash is involved, these activities are reported on the statement of cash flows. (When cash is not included in the transaction, such as when a building is acquired with a long-term mortgage note payable, there is no cash effect to include on the statement of cash flows. You must see cash in the transaction for it to affect the statement of cash flows.) In general, the effects of such activities are as follows:

Effect on Cash Flows

Operating activities
(No transactions in this chapter were operating activities.)

Investing activities
Purchasing long-term assets and investments for cash

Focus on Cash Flows

The early and consistent coverage of cash flows encourages students to think more critically about the decisions they will face as managers and the impact those decisions will have on the company's cash flow. Each of the first 12 chapters includes a discussion and analysis of changes in the cash flow of the focus company and explores the decisions that caused those changes.

ALL JOURNAL ENTRIES TIED TO THE ACCOUNTING EQUATION

Journal entries marked with (A), (L), (SE), (R), (E), or (X, if a contra-account) and plus and minus signs in early chapters assist students in transaction analysis. In addition, following each journal entry is a summary of the effects of the transaction on the fundamental accounting equation.

Practice Is Key to Success

Each chapter is followed by an extensive set of end-of-chapter material that examines and integrates concepts presented in the chapter. Assignments are arranged by level of difficulty and learning objectives. To maintain the real-world emphasis of the chapter material, they are often based on other **real domestic and international companies**, and require analysis, conceptual thought, calculation, and written communication. Assignments suitable for individual or group written projects and oral presentations are included in the Cases and Projects section.

CHAPTER TAKE-AWAYS

1. Apply the revenue principle to determine the accepted time to record sales revenue for typical retailers, wholesalers, manufacturers, and service companies. p. 284
Revenue recognition policies are widely recognized as one of the most important determinants of the fair presentation of financial statements. For most merchandisers and manufacturers, the required revenue recognition point is the time that title changes to the buyer (shipment or delivery of goods). For service companies, it is the time that services are provided.
2. Analyze the impact of credit card sales, sales discounts, and sales returns on the amounts reported as net sales. p. 285
Both **credit card discounts** and **sales or cash discounts** can be recorded either as contra-revenues or as expenses. When recorded as contra-revenues, they reduce net sales. **Sales returns and allowances**, which should always be treated as a contra-revenue, also reduce net sales.
3. Analyze and interpret the gross-profit percentage. p. 288
Gross profit percentage measures the ability to charge premium prices and produce goods and services at lower cost. Managers, analysts, and creditors use this ratio to assess the effectiveness of the company's product development, marketing, and production strategy.
4. Estimate, report, and evaluate the effects of uncollectible accounts receivable (bad debts) on financial statements. p. 290
When receivables are material, companies must employ the allowance method to account for uncollectibles. These are the steps in the process:
 - a. The end-of-period adjusting entry to record bad debt expense estimates.
 - b. Writing off specific accounts determined to be uncollectible during the period.The adjusting entry reduces net income as well as net accounts receivable. The write-off affects neither.
5. Analyze and interpret the accounts receivable turnover ratio and the effects of accounts receivable on cash flows. p. 297

Chapter Take-Aways

Bulleted end-of-chapter summaries complement the learning objectives outlined at the beginning of the chapter.

Key Ratios

Summary of the key ratios presented in the chapter.

Finding Financial Information

Graphic that highlights the chapter's key concepts, numbers, and totals in an easy-to-review graphic; includes balance sheet, income statement, statement of cash flows, and note information.

Key Terms

Page referenced to the chapter text.

KEY RATIO		
Inventory turnover ratio measures the efficiency of inventory management. It reflects how many times average inventory was produced and sold during the period (p. 354):		
Inventory Turnover = $\frac{\text{Cost of Goods Sold}}{\text{Average Inventory}}$		
FINDING FINANCIAL INFORMATION		
Balance Sheet Under Current Assets Inventories	Income Statement Expenses Cost of goods sold	Notes Under Summary of Significant Accounting Policies Description of management's choice of inventory accounting policy (FIFO, LIFO, LCM, etc.) <i>In Separate Note</i> If not listed on balance sheet, components of inventory (merchandise, raw materials, work in progress, finished goods) If using LIFO, LIFO reserve (excess of FIFO over LIFO)
Statement of Cash Flows Under Operating Activities (Indirect method) Net income + increases in inventory + decreases in inventory + increases in accounts payable - decreases in accounts payable		
KEY TERMS		
Average Cost Method p. 348 Cost of Goods Sold Equation p. 343 Direct Labor p. 342 Factory Overhead p. 342 Finished Goods Inventory p. 340 First-In, First-Out (FIFO) Method p. 346 Goods Available for Sale p. 343 Inventory p. 340	Last-In, First-Out (LIFO) Method p. 348 LIFO Liquidation p. 365 LIFO Reserve p. 358 Lower of Cost or Market (LCM) p. 353 Merchandise Inventory p. 340 Net Realizable Value p. 354 Periodic Inventory System p. 361 Perpetual Inventory System	Purchase Discount p. 368 Purchase Returns and Allowances p. 368 Raw Materials Inventory p. 340 Replacement Cost p. 353 Specific Identification Method p. 345 Work in Process Inventory p. 340

in Financial Accounting

EXERCISES

Available with McGraw-Hill's Homework Manager

E1-1 Matching Definitions with Terms or Abbreviations

Match each definition with its related term or abbreviation by entering the appropriate letter in the space provided.

Term or Abbreviation	Definition
(1) SEC	A. A system that collects and processes financial information about an organization and reports that information to decision makers.
(2) Audit	B. Measurement of information about an entity in the monetary unit—dollars or other national currency.
(3) Sole proprietorship	C. An unincorporated business owned by two or more persons.
(4) Corporation	D. The organization for which financial data are to be collected (separate and distinct from its owners).
(5) Accounting	E. An incorporated entity that issues shares of stock as evidence of ownership.
(6) Accounting entity	F. Initial recording of financial statement elements at acquisition cost.
(7) Audit report	G. An examination of the financial reports to ensure that they represent what they claim and conform with generally accepted accounting principles.
(8) Cost principle	H. Certified public accountant.
(9) Partnership	I. An unincorporated business owned by one person.
(10) FASB	J. A report that describes the auditor's opinion of the fairness of the financial statement presentations and the evidence gathered to support that opinion.
(11) CPA	K. Securities and Exchange Commission.
(12) Unit of measure	L. Financial Accounting Standards Board.
(13) GAAP	M. A company with stock that can be bought and sold by investors on established stock exchanges.
(14) Publicly traded	N. Generally accepted accounting principles.

Questions Multiple Choice Mini-Exercises Exercises

Problems

Cross-referenced in blue to the Alternative Problems.

Alternative Problems

Similar in level and content to the end of chapter problems.

PROBLEMS

Available with McGraw-Hill's Homework Manager

P4-1 Preparing a Trial Balance (APA-1)

102
Dell Inc.

Dell Inc. is the world's largest computer systems company selling directly to customers. Products include desktop computer systems, notebook computers, workstations, network server and storage products, and peripheral hardware and software. The following is a list of accounts and amounts reported in a recent year. The accounts have normal debit or credit balances and the dollars are rounded to the nearest million. Assume the company's year ended on January 31, 2012.

Accounts Payable	\$ 2,397	Marketable Securities	\$ 2,661
Accounts Receivable	2,094	Other Assets	806
Accrued Expenses Payable	1,298	Other Expenses	38
Accumulated Depreciation	252	Other Liabilities	349
Cash	520	Property, Plant, and Equipment	775
Contributed Capital	1,781	Research and Development Expense	272
Cost of Sales	14,137	Retained Earnings	?
Income Tax Expense	624	Sales Revenue	18,243
Inventories	273	Selling, General, and Administrative Expenses	1,788
Long-Term Debt	512		

Required:

1. Prepare an adjusted trial balance at January 31, 2012.
2. How did you determine the amount for retained earnings?

CASES AND PROJECTS

Annual Report Cases

Finding Financial Information

Refer to the financial statements of American Eagle Outfitters in Appendix B at the end of this book.

Required:

(Hint: the notes to the financial statements may be helpful for many of these questions.)

1. How much cash did the company pay for income taxes in its 2006 fiscal year (for the year ended February 3, 2007)?
2. What was the company's best quarter in terms of sales in its 2006 fiscal year? Where did you find this information?
3. Give the closing entry for the Other Income (net) account.
4. What does Accounts and Notes Receivable consist of? Provide the names of the accounts and their balances as of February 3, 2007. Where did you find this information?
5. Compute the company's net profit margin for the three years reported. What does the trend suggest to you about American Eagle Outfitters?

Finding Financial Information

Refer to the financial statements of Urban Outfitters in Appendix C at the end of this book.

Required:

1. How much is in the prepaid expenses account at the end of the most recent year (for the year ended January 31, 2007)? Where did you find this information?
2. What did the company report for deferred rent at January 31, 2007? Where did you find this information?
3. What is the difference between prepaid rent and deferred rent?
4. Describe in general terms what accrued liabilities are.
5. What would generate the interest income that is reported on the income statement?
6. What company accounts would not have balances on a post-closing trial balance?
7. Give the closing entry, if any, for Prepaid Expenses.
8. What is the company's earnings per share (basic only) for the three years reported?
9. Compute the company's net profit margin for the three years reported. What does the trend suggest to you about Urban Outfitters?

CP4-1
LO1, 3, 4, 5
American Eagle
Outfitters

CP4-2
LO1, 3, 4, 5
Urban Outfitters

Cases and Projects

Includes Annual Report Cases, Financial Reporting and Analysis Cases, Critical Thinking Cases, and Financial Reporting and Analysis Team Projects

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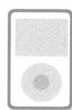
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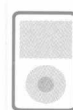
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For students and instructors, the OLC includes American Eagle Outfitters annual report and Urban Outfitters Form 10-K linked to the text material, check figures, Web links, and McGraw-Hill's Homework Manager (see below). Instructors can pull all of this material as part of another online course management system.



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