

Accounting for Governmental and Nonprofit Entities

Ninth Edition

Leon E. Hay, Ph.D., CPA

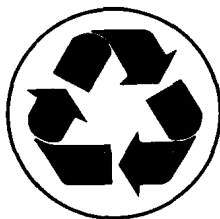
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Preface

The first two editions of this text (published in 1951 and 1956) were written by Professor R. M. Mikesell of Indiana University–Bloomington. The senior author of this ninth edition joined Professor Mikesell as coauthor of the third and fourth editions (1961 and 1969). After Professor Mikesell's death in 1972, the senior author prepared the fifth (1974), sixth (1980), seventh (1985), and eighth (1989) editions with the help and suggestions of many good friends, but without a coauthor. Because of the rapid pace of change in financial reporting standards and auditing standards for state and local governments in the United States, the federal government, and not-for-profit organizations, Dr. Earl R. Wilson of the University of Missouri–Columbia became a coauthor of this ninth edition of *Accounting for Governmental and Nonprofit Entities*.

The pace of change in financial reporting standards and in auditing standards for governments and for not-for-profit organizations is expected to be as rapid in the next three years as it has been during the past three years. Accordingly, it is anticipated that there will be a need for a tenth edition of this text in 1994 or 1995. During the life of the ninth edition, the authors will prepare Update Bulletins as needed to inform adopters of this text of changes in the standards explained and illustrated in the ninth edition, as necessitated by new pronouncements of the Governmental Accounting Standards Board, the Financial Accounting Standards Board, federal government standards setters, and the American Institute of Certified Public Accountants.

As was true of each previous edition, the authors owe a debt of gratitude to the many professors, students, and governmental financial report users, preparers, and auditors who have shared their knowledge, experience, and views on governmental and not-for-profit organization accounting and financial reporting. In the preparation of this edition the authors are greatly indebted to the standards-setters themselves, especially to James F. Antonio, Chairman, and Martin Ives, Vice-Chairman, Governmental Accounting Standards Board; and James R. Fountain, Assistant Director of Research, Governmental Accounting Standards Board.

Members of the American Institute of Certified Public Accountants Government Accounting and Auditing Committee have earned the authors' thanks for sharing their perceptions of auditors' and users' concerns with financial reports of governments. Members of the AICPA Not-for-Profit Organizations Committee have been generous in their help in conveying an understanding of the concerns of auditors and users of financial reports of colleges and universities, hospitals, voluntary health and welfare organizations, and other not-for-profit entities. As was true of preceding editions of this text, the discussions in the chapters and the questions, exercises, and problems at the ends of the chapters are designed to meet the needs of readers who are concerned with the interpretation of financial reports and financial management decisions, as well as the needs of readers who are interested in the design and operation and accounting systems and the preparation of financial statements.

In addition to the many professors thanked by name in the Prefaces to earlier editions who have continued to give generously of their time and efforts in improving explanations in chapters of the text and improving the wording of questions, exercises, problems, and answers and solutions, a number of professors were motivated to obtain the *City of Bingham Continuous Problem Adapted for Microcomputer Solution* and make suggestions for improving that problem as a learning device. We hope all those who helped so much will know that we appreciate their time and efforts, even though it is not possible to list them by name in this Preface.

Bruce K. Michelson and J. Thomas Luter of the United States General Accounting Office and their co-workers were very helpful in reviewing the material now in Chapters 15 and 22 and providing the materials and suggestions for the present revisions. David S. Smarr of the University of Missouri-Columbia was of great assistance in updating and improving Chapter 18, college and university accounting. Bobbye S. Hay, CPA, contributed greatly to this and previous editions, both technically and personally. Traci J. Snitselaar devoted many hours to helping in the preparation of the manuscript and ancillary materials for this edition of the text.

The authors appreciate the courtesy of the Governmental Accounting Standards Board in giving permission to quote their pronouncements and reproduce illustrations from their publications. The Government Finance Officers Association of the United States and Canada (formerly MFOA) generously gave permission to use its published materials. Another valuable source of help has been the American Institute of Certified Public Accountants, which has allowed use of questions and problems from the certified public accountant examinations and permitted quotations from its publications, particularly in the audit guide series. The International City Management Association contributed significantly to an expansion of the material now in Chapter 15 by granting permission for use of their materials on financial analysis. The United Way of America graciously

allowed the use in Chapter 20 of illustrations from *Standards of Accounting and Financial Reporting: A Guide for United Ways and Not-for-Profit Human Service Organizations*.

Although a number of persons helped refine the explanations in the chapters and the wording of the questions, exercises, and problems, it is probable that errors, inconsistencies, and ambiguities remain in this edition. As readers encounter errors of omission or commission in this text, we urge them to let us know so that corrections can be made. Additionally, every user of this edition who has suggestions or comments about the material in the chapters—or the questions, exercises, or problems—is invited to share them with us.

Leon E. Hay
Earl R. Wilson

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