



Introduction to

COLLEGE ACCOUNTING

Chapters
1-14

Gregory W. Bischoff

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COLLEGE
ACCOUNTING
Chapters 1–14

Gregory W. Bischoff

Houston Community College



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Preface

This textbook is a straightforward, practical introduction to accounting written for today's college student. The prose is clear and direct, the organization proceeds from the simple to the complex, and the examples used throughout the book are both realistic and engaging. *Introduction to College Accounting: Chapters 1–14* provides a hands-on approach to the study of accounting and—through a combination of examples, exercises, and problems—shows accounting majors and nonmajors alike how accounting works in the real world.

Most college students, whether or not they are business majors, need accounting courses for a variety of reasons. Many students must take an accounting course in preparation for an academic degree or technical program. Employers may require accounting skills, or a student may be self-employed and need to do his or her own bookkeeping. This textbook is designed to be “user friendly” to meet all these needs.

Integrated Learning System

Introduction to College Accounting: Chapters 1–14 has as comprehensive a learning system as is available today. All items in the system (textbook, instructor's aids, and student's aids) are integrated or cross-referenced by learning objectives. The author has prepared or assisted in the preparation of all the materials in the learning package to ensure that the integrated learning system is consistent and thorough.

Flexible Organization

The book is suitable for a semester, quarter, or clock-hour program. Chapters 1–6 examine two sole proprietorship service companies—Mary Jones, CPA (Chapters 1–2), and Jerry Kline, Attorney-at-Law (Chapters 3–6). Chapters 7–14 examine a single sole proprietorship merchandising company—World Auto Supply. In addition, the following five appendixes enhance or supplement the text material:

- Appendix A: “Computers and Accounting” (after Chapter 6) examines how business firms use computers to process accounting data.
- Appendix B: “Combined Journal” (after Chapter 14) explains how to design and use a combined journal.
- Appendix C: “Calculating Interest and Discounting a Note” (after Chapter 14) examines simple interest, maturity value, discount, and proceeds.

- Appendix D: “Methods for Valuing Inventory and Cost of Goods Sold” (after Chapter 14) explains four valuation methods which include specific identification, average cost, FIFO, and LIFO.
- Appendix E: “Methods for Computing Depreciation” (after Chapter 14) continues the discussion of depreciation introduced in Chapter 4.

The text material is organized to meet the needs of various course programs. Some possible applications follow.

1. For a semester-hour program, the instructor may either cover the full 14 chapters (including payroll accounting in Chapters 13 and 14) or stop after Chapter 12 and possibly include an additional practice set.
2. In a quarter-hour program, instructors may wish to stop after Chapter 10. A student would then have been exposed to the complete accounting cycle for a service company, the special journals for a merchandising company, and a thorough examination of cash.
3. In a clock-hour program, an instructor may assign as much material as time allows. Since the chapters build in sequence from 1 to 14, coverage can be ended at any point.

Chapter Organization

Each chapter includes these pedagogical aids:

- An opening photograph and quotation captures the students’ interest.
- Learning Objectives are listed at the beginning of each chapter and are noted in the margin where they are discussed in the text; all chapter problems are also keyed to the objectives. In addition, the Learning Objectives serve as an outline in the Instructor’s Manual and the Study Guide, thus contributing to the integrated learning system.
- Exhibits detail the procedures used in producing important items and forms in accounting practices.
- Realistic accounting forms are used throughout.
- The Chapter Review clearly summarizes each learning objective.
- A Glossary in each chapter defines the important words and concepts discussed.
- A Practical Review Problem (with answer) helps students understand significant concepts or processes.
- Discussion Questions focusing on major concepts and terms can be used to provoke classroom discussion.
- Exercises effectively illustrate lecture concepts; most exercises focus on a single learning objective in the chapter.
- Problem Sets A and B are arranged in order of increasing difficulty and are keyed to the chapter’s learning objectives.

- Computer Applications are selected problems that can be solved with the use of *The Computer Connection*, an accompanying general ledger entry software program. The problems are identified by a computer logo.

Special Features

The book also contains a number of special features:

- A Checklist of Key Figures on the endpapers enables students to check their work.
- Review of Accounts is two complete listings of accounts, one following Chapter 6 and the other after Chapter 10.
- The Accounting Cycle Review Problem is a mini-practice set that tests the student's knowledge of the accounting cycle for a service-type company or firm (after Chapter 6).
- Diagrams of the Accounting Cycle for a Service Firm follow Chapter 6.
- Diagrams of the Accounting Cycle for a Merchandising Firm follow Chapter 12.

For the Instructor

- The Instructor's Manual provides, for each chapter, an outline of the chapter, a suggested lecture format, and a ten-minute quiz, with answers. The manual also includes the solutions to the Practice Sets.
- The Solutions Manual contains answers to all discussion questions, exercises, and problems in the textbook.
- Transparencies of exercise and problem solutions are available to departments adopting the book.
- Two-color Teaching Transparencies of selected text material are also available to adopters on request to the publisher.
- The Test Book, prepared by Thomas Hoar of Houston Community College and Gregory W. Bischoff contains an average of 20 true/false questions, 20 multiple choice questions, and 5 short exercises for each chapter.
- Achievement Tests (Series A, B, and C) are perforated for easy removal and duplication. The three sets differ in chapter coverage and difficulty.
- A computerized version of the Test Book is available to adopters upon request.
- A computerized study guide, *Microstudy*, is available to adopters. Instructions on how to use *Microstudy* are included in the back of the book.

For the Student

- A Study Guide provides, for each chapter, a review of the learning objectives, a detailed review of the significant concepts and processes, 40 true/false questions, 20 completion questions, and answers for self-scoring.

- Working Papers give students the forms they need to solve all exercises and problems and the mini-practice set (after Chapter 6) in the text.
- Two printed Practice Sets accompany the text. Practice Set A (James London, CPA and Attorney-at-Law) is a sole proprietorship service-type company and can be introduced at any point after Chapter 6. Practice Set B (Lake Plumbing Supply) is a sole proprietorship merchandising-type firm designed to be used after Chapter 12.
- *The Computer Connection*, prepared by John W. Wanlass of De Anza College and Gregory W. Bischoff, adapts selected end-of-chapter problems and Practice Sets A and B to a real-world computer system. The manual accounting cycle is compared with a computer accounting system, allowing the user to design the system structure and to process business transactions. (A separate Instructor's Manual contains solutions.)

Acknowledgments

Many fine educators and professionals have made significant contributions to this book. I sincerely thank my many students for their participation in the classroom testing of this book. My colleagues at Houston Community College have been most helpful, and their valuable input is greatly appreciated. I especially thank Thomas Hoar and Clarence Tupper, two good friends and fellow instructors, and Dr. Dona G. Harris for her continued support and encouragement.

Many instructors throughout the country have provided valuable reviews and comments that have led to improvements in the book. I would like to thank these dedicated professionals, who include: Donna J. Bildner, Des Moines Area Community College; Thomas Jackson, Cerritos College; Kathleen Murphey, San Antonio College; Mary Shannon, San Diego City College; Jane Stought, Orange County Business College; John M. Thorne, Dallas County Community College; Penny Westerfeld, North Harris County College; and Steven W. Wong, Merritt College.

I would also like to acknowledge the assistance of Richard L. Kerr, Jr., a CPA in private practice and an adjunct accounting instructor. His technical and mathematical review of the entire text and the Solutions Manual ensured that the material is up-to-date and accurate.

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Gregory W. Bischoff

RICHARD L. KERR, JR

CERTIFIED PUBLIC ACCOUNTANT
1706 CHESHIRE
HOUSTON, TEXAS 77018

Harcourt Brace Jovanovich, Inc.
College Department
1250 Sixth Avenue
San Diego, California 92101-4311

I have examined the text and Solutions Manual of Introduction to College Accounting, by Gregory W. Bischoff. My examination was directed at this work's technical and mathematical accuracy as well as its consistency and appropriateness of references to authoritative literature. My examination was made in accordance with standards established by the American Institute of Certified Public Accountants. I included such procedures and tests as I considered necessary in the circumstances.

In my opinion, Introduction to College Accounting, including its Solutions Manual, is technically and mathematically accurate and in conformity with generally accepted accounting principles.

Richard L. Kerr Jr.

December 15, 1987

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1

Accounting and Business Transactions

Money is like a sixth sense without which you cannot make a complete use of the other five.

William Somerset Maugham

LEARNING OBJECTIVES

After reading this chapter, discussing the questions, and working the exercises and problems, you will be able to do the following:

1. Define accounting and the role of accountants.
2. Identify the forms of business organizations.
3. Identify the types of business operations.
4. Understand the fundamental accounting equation.
5. Record business transactions.
6. Prepare a balance sheet.