

# COLLEGE ACCOUNTING

Chapters 1–15

Janet D. Cassagio

Dolores J. Osborn

Beverly B. Terry

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## DEDICATION

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To our students—for making our lives enjoyable,  
enlightening, and challenging and for making teaching  
a learning experience

J.D.C.

D.J.O.

B.B.T.

To my husband, Stephen, and my children, Brian, Keith,  
and Cheryl—for your unwavering support and confidence,  
and more importantly your love.

J.D.C.

To my colleagues and friends—for your support,  
confidence, and understanding during the completion of  
this project.

D.J.O.

To my husband, Bob—for his technical input and support  
in addition to his love, patience, and understanding; to my  
mother, Julie—who continues to inspire us all with her  
strength and courage; to my dad, Ibby—who lives on in  
our hearts.

B.B.T.

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# PREFACE

As educators with a combination of more than 70 years experience in teaching accounting and business courses to a variety of students with diverse academic backgrounds, we want to provide students with an engaging, understandable text that will encourage them to learn the basic concepts and procedures involved in accounting effectively and efficiently. We want to promote and provide opportunities conducive for students to practice critical and creative thinking and effective writing skills.

We feel students need a text that provides detailed, step-by-step explanations of accounting topics using clear, simple, easy-to-follow instructions with numerous examples and extensive end-of-chapter assignments. We consider it extremely important to address students' common misconceptions regarding math operations and their confusion concerning business terminology and forms.

In response to these needs we have divided each chapter into manageable blocks of information which are immediately followed by illustration problems with solutions. Each chapter may contain up to seven illustration problems, with most chapters averaging three to four. This format allows optimum opportunity for students to read the explanation of a topic, then practice its application.

The learning objectives are fully integrated, and we have limited the number of major objectives to no more than six in most chapters in order to maintain the workable blocks of information. We have incorporated math logos at the beginning of each chapter to relieve students' math anxiety, and math notes in the margins to clarify and foster a better understanding of the material. In the narrative, we frequently point out common misconceptions students have about certain accounts or relationships; for example, we show that revenue is not the same as cash, and explain how columns are used in a balance sheet.

To support student learning, we have included an extensive variety of end-of-chapter assignment materials, taking care to include a substantial number of exercises and a variety of problems. Overall, the assignments will test students' comprehension of the content and allow them to practice its application and interpretation in realistic situations.

Recognizing the importance of repetition and familiarity, we created two ongoing illustration cases for use in the text. Goodwin Optical Center is introduced in Chapter 1 and continues through Chapter 5. We study Goodwin Optical Center again in chapters 10–12, 14 and 16. The second case, Piedmont Landscaping, is introduced through the Illustration Problems in Chapter 1 and continues through Chapter 5. Other cases are introduced and continued through consecutive chapters; for example, students work with Jackson Jones in Chapters 8 and 9.

## STRUCTURE AND SPECIAL FEATURES

We begin each chapter with a cartoon vignette. These cartoons are meant to be realistic, imaginative and engaging for the students. We believe this format will motivate students to read a memorable passage and will invoke a curiosity about the content issues contained in the chapter.

We are painstaking in our development of the accounting cycle, providing simple, logical, step-by-step explanations of the recording process. While the content is traditional for a text of this nature, our organization does deviate at times. For example, in Chapter 1 we consciously chose to use T-accounts to introduce the debit-credit rules as a way to analyze balance sheet transactions; we then introduced income statement transactions involving revenues, expenses, and withdrawals in Chapter 2. In this way students learn to use T-accounts as an analytical device rather than fostering their common confusion regarding the purpose of T-accounts, journals, and ledgers.

In Chapters 10–12 we introduce the journal entries and subsidiary ledgers for a merchandising firm separately from our discussion of special journals. In Chapter 10, students learn to record purchases and cash payments for a merchandiser through the general journal and to post to the general ledger and an accounts payable ledger. In Chapter 11, students learn to record sales and cash receipts through the general journal and to post to the general ledger and accounts receivable ledger. In Chapter 12, students learn the real value of special journals as efficient, effective, time-saving devices.

In Chapter 14, via Goodwin Optical Center, we introduce students to a business that provides both services and merchandise, recognizing that this is a common form of business in today's economy.

*College Accounting* is available in three different formats, allowing instructors to choose a text most suitable to their curriculum. These include *College Accounting, Chapters 1–9*; *College Accounting, Chapters 1–15*; and *College Accounting, Chapters 1–28*. We believe these offerings make the textbook a viable resource for many different course configurations.

## PEDAGOGICAL FEATURES

The textbook incorporates pedagogical features aimed at making the text student-centered, user-friendly, colorful, and appealing.

**Cartoons** appear on the first page of each chapter. These real-life scenarios provide students with an insight into what they will be learning in the chapter. Effective Writing problems at the end of each chapter are related to these cartoons, and allow students to demonstrate and communicate their grasp of the chapter material.

**Math Logos** appear just below the chapter title. These tell students which math operations will be required in the chapter. These logos are intended to alleviate the students' apprehension about the math used in accounting.

**Integrated Learning Objectives** are stated at the beginning of every chapter. These objectives identify the learning goals for each chapter. They are repeated verbatim in the margins as they are introduced in the chapter and are used to summarize the chapter at the end. All end-of-chapter exercises and problems are labelled by objective, providing students a reference point when needed.

**Key Terms** appear in bold print in each chapter as new terminology is introduced. These terms are also defined at the end of the chapter and in the glossary at the end of the book.

**Color codes** help students sort out all of the different forms and documents used in the text. Charts, tables, documents, forms and accounting reports are shown using the following color codes:

- **Pink:** Pink forms contain source document information that must be entered in the accounting records. These include such items as invoices, receipts, and registers.

- **Green:** Green forms represent the actual accounting forms maintained by an entity; for example, journals and ledgers.
- **Blue:** Blue forms represent the formal reports prepared for an entity. These are different than those printed in green because they will represent the final product, the financial statements.
- **Tan:** Tan charts and tables distinguish these items from the source documents, accounting records, and reports.

**Math Notes** appear in the margins throughout each chapter. These notes help the student understand the math involved in the text and provide them with hints and alternate ways to compute the financial information.

**Illustration Problems** appear in each chapter. These provide concrete examples of how to apply the concepts and procedures just introduced. The solution immediately follows the problem, allowing students to try solving the problem. They can then verify their responses before turning to the solution.

**Computers and Accounting Boxes** appear in many chapters in the text, providing students with specific examples and illustrations of how computers are used as a tool to make accounting for financial information more effective and efficient.

**Chapter Summaries** appear immediately following the content of the chapter. These summaries review the concepts and procedures related to each of the chapter learning objectives.

**Key Terms Defined** appear immediately after the Chapter Summary. This list contains a definition of all key terms identified in bold print in the chapter.

**Chapter Review Tests** consist of ten short-answer questions (true/false or multiple choice) providing the students with an opportunity to check their understanding of the material introduced in the chapter. The answers to these questions appear in the **Solutions to Chapter Review Test**, as the final item in the chapter.

**Answers to Selected Exercises and Problems**, or check figures, are provided at the back of the textbook for students and in the margins next to the exercise or problem in the Instructor's Annotated Edition.

**The Glossary**, found at the back of the book, contains all key terms presented in the text.



## ASSIGNMENT MATERIALS

**Discussion Questions** Most chapters contain ten to twelve questions that require students to express in writing an understanding of the concepts, procedures, and terminology presented in the chapter. The required responses vary in length and level of difficulty, providing instructors with a considerable number of choices.

**Exercises** Most chapters contain ten to twelve exercises requiring students to apply the concepts and procedures introduced in the chapter. Exercises generally follow the same sequence used to introduce the chapter material. Many exercises require students to practice critical thinking skills: applying, analyzing, and interpreting the chapter material. These critical thinking exercises are usually the last two to four exercises in the chapter.

**Problem Sets A and B** Each chapter contains four to five problems each in the A and B sets. These are commonly longer than exercises and more detailed in scope. Problems generally follow the same topical sequence used in the chapter. In many chapters problem requirements become more comprehensive as successive problems are completed. The fourth and fifth problems often incorporate all the major chapter objectives. Problem Set B follows the same format as the related problems in the A set but the names, numbers, and where possible the order of information given has been changed. Problem Set B offers the instructor and students an opportunity to select similar, alternate problems as additional assignments or for review.

**Comprehensive Problems** In selected chapters throughout the text, comprehensive problems that cover one or more chapters appear just after Problem Set B. These are found in Chapters 2, 3, 4, 5, 6, 13, 14, 15, 16, and 28. They are intended to reinforce and aid students in integrating cumulative material.

**Critical Thinking Problems** Included in every chapter, these problems allow students to enhance their ability to apply and interpret the concepts taught in the chapter while encouraging them to think critically. These problems often require students to use inductive rather than deductive reasoning. Students practice locating errors, filling in missing information, reformatting data, and responding to open-ended questions.

**Effective Writing Problems** Included as the final assignment in every chapter, these problems are always related to the chapter-opening cartoon. They encourage students to practice business writing and communica-

tion skills. Through the cartoons and the effective writing problems, students are introduced to real-life business scenarios for which they must formulate a response and often practice decision-making skills. These assignments may be useful for schools interested in promoting “writing across the curriculum.”

**Simulation Problems** The text contains two Simulation Problems, or mini practice sets. These are comprehensive problems covering the accounting cycle for a service firm after Chapter 5 and for a merchandising firm after Chapter 14. Instructors may wish to assign these simulation problems instead of, or in preparation for, separate practice sets.

## SUPPLEMENTS For the Student

**Study Guide/Working Papers** are written by the text authors and are available in three separate formats for use with Chapters 1–9, Chapters 1–15, or Chapters 16–28 of *College Accounting*. The Study Guide/Working Papers contains a section introducing students to the textbook and providing study helps, a study guide including short-answer questions and exercises for each chapter, and forms for solving all exercises and problems presented in each chapter of the text.

**ATHENA Software** Developed by Jim Doak of Vulcan Technology, this integrated accounting package is especially adapted for *College Accounting* and enables students to solve more than thirty end-of-chapter problems from Chapters 1–15. Problems that can be solved using ATHENA are identified by a logo in the textbook margin adjacent to the problem. A separate manual is provided with ATHENA, detailing how to use it to solve the designated problems. Documentation is also available to allow instructors to guide students in setting up additional problems that are separate from those contained on the disk.

**Accounting Lab Videos** Developed by Beverly Amer of Northern Arizona University, these videos run fifteen to thirty minutes each and cover major topics introduced in Chapters 1–15.

**West Tutorial Software** Developed by Jim Doak of Vulcan Technology for use with *College Accounting*, this computerized student tutorial can be used with a single computer or a network. Tied specifically to key text chapters, it allows students to practice and to test themselves on various accounting concepts and procedures.



**Practice Sets** Written by Jerome E. Fewox and Cecelia M. Fewox, both of Trident Technical College, two different practice sets, each in a narrative, business paper, and computerized format, are available to accompany *College Accounting*.

- *Chris Jacobs, Certified Public Accountant* is a practice set focusing on the accounting cycle for a service firm. This practice set takes approximately eight to ten hours for students to complete and is intended for use after Chapter 5 in the text.
- *Leeward's Laptops* is a practice set focusing on the accounting cycle for a merchandising firm and is intended for use after Chapter 14 in the text. This practice set takes approximately ten to twelve hours for students to complete.

## For the Instructor

**Annotated Instructor's Edition** Available in three separate formats, Chapters 1–9, Chapters 1–15, and Chapters 1–28, each Annotated Instructor's Edition contains all the material in the comparable student version of *College Accounting*. In addition, the text authors have added teaching notes and check figures printed in red in the margins. The check figures are answers located beside selected exercises and problems, providing the instructor with a quick reference. The teaching notes are a compilation of hints and suggestions, real-world examples, common student errors, and quick quizzes.

**Solutions Manual** Prepared by the text authors and available in two volumes, the Solutions Manual covers Chapters 1–15 and Chapters 16–28 and contains solutions to all discussion questions, exercises and problems in the text. In addition, a chart provided at the

beginning of each chapter indicates the related Learning Objectives, estimated completion time, and level of difficulty for each problem in the chapter.

**Solutions and Teaching Transparencies** Acetate transparencies are available of solutions to all exercises and problems in *College Accounting*. There are also approximately 120 teaching transparencies available. The majority of these teaching transparencies represent figures and illustrations appearing in the text, but a number are original and provide alternate material for classroom use and blank forms representative of those used in the text.

**Instructor's Manual** Compiled by Barbara Gregorio of Nassau Community College, this volume contains suggested course syllabi, chapter outlines, transparency masters for blank forms used in the text, instructions for using ATHENA, instructor reference materials for the videos, a Spanish glossary, "Learning to Learn Accounting" (a study skills handout), and a printed copy of the problems and solutions found in the computerized tutorial.

**Test Bank** Prepared by Jerome E. Fewox and Cecelia M. Fewox, both of Trident Technical College, the Test Bank includes over eighty questions per chapter, including true-false, multiple choice, matching, essays, and problems, all identified by Learning Objective. The Test Bank is also available on WESTEST 3.1, a computerized testing program for DOS, Windows, and Macintosh.

**Achievement Tests** Covering all the major concepts and procedures introduced in each chapter of the text, these shrink-wrapped pages are available in bulk for instructors to distribute directly to students.

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## ACKNOWLEDGEMENTS

Creating and writing a new text and all its ancillaries is a tremendous undertaking. As authors, one of our goals was to produce a fully integrated, complete package containing materials that would encourage students to learn introductory accounting concepts and procedures effectively. As accounting educators we recognize the importance of making these materials as

accurate and up-to-date as possible. We would not have been able to accomplish this task without the help and support of many people. We extend our sincere appreciation and gratitude for the help we received from the many professors who reviewed the text materials and made important improvements to our work. These include the following:

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Janet Cassagio, CPA, is an Associate Professor of Accounting at Nassau Community College in Garden City, New York. She is the co-founder of the Center for Active Learning at Nassau and has spoken on active learning and critical thinking throughout the country. She has been an officer and executive board member of Teachers of Accounting at Two Year Colleges (TACTYC) since 1985. She is a recipient of the New York State Chancellor's Award for Excellence in Teaching and the American Accounting Association Two-Year Section Outstanding Service Award.



### DOLORES J. OSBORN

Dolores Osborn, MA, Ed.D., is a Professor of Administrative Management and Business Education at Central Washington University in Ellensburg, Washington. She has taught beginning accounting to secondary and post-secondary students for over 30 years. She has served as President of the Washington State Business Education Association as well as on various conference committees for the Western Business Education Association. She is a past recipient of the CWU Cooperative Education Faculty of the Year award.

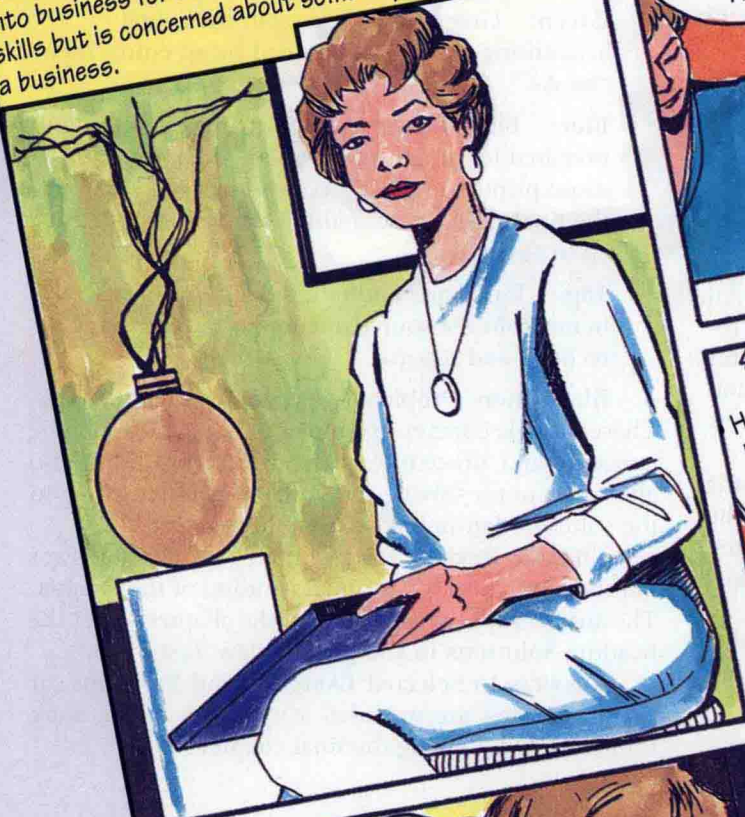


### BEVERLY B. TERRY

Beverly Terry, CPA, MA (Economics) is an instructor at Central Piedmont Community College in Charlotte, North Carolina. She has been the Southeast Regional Representative, Secretary-Editor, Vice-Chair, and Chair of the Two-Year College Section of the American Accounting Association, and has served on various AAA committees. She is a past recipient of the Two-Year College Section's Outstanding Accounting Educator award. She has made presentations across the country on effective teaching, computer usage, and distance learning.

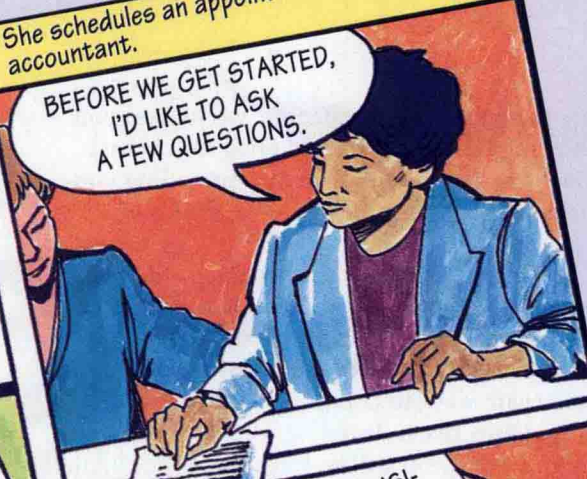


Elizabeth Pearson, an interior designer, would like to go into business for herself. She is confident of her design skills but is concerned about some aspects of operating a business.



She schedules an appointment with her accountant.

BEFORE WE GET STARTED, I'D LIKE TO ASK A FEW QUESTIONS.



HAVE YOU DEVELOPED A BUSINESS PLAN?

- WHAT FORM OF BUSINESS ORGANIZATION WILL YOU HAVE?

- HOW MUCH MONEY WILL YOU NEED TO START?

- WHERE WILL THE MONEY COME FROM?

WHAT WILL BE YOUR FEE SCHEDULE?

- WHAT ARE THE PROJECTED INCOME AND RELATED EXPENSES?

- HOW WILL YOU KEEP TRACK OF BUSINESS ACTIVITIES?

THERE IS A LOT MORE TO THIS THAN JUST HANGING OUT A SIGN!



After much planning, Elizabeth establishes her own company ...

PERSONALLY by PEARSON

# TO THE STUDENTS

Recognizing that your time is valuable, we suggest you use the following learning aids contained in this text.

The **Cartoons** are real-life scenarios providing you with an insight into what you will be learning in the chapter.

**Math Logos** shown below the chapter title alert you to the math operations required in the chapter. The **Math Notes** that appear in the margins help you understand the math involved and provide you with hints and alternate ways to compute information.

**Learning Objectives**, listed at the start of the chapter, identify what you will be learning in the chapter. They are repeated in the margins as they are introduced and used to review the content in the **Chapter Summary** at the end. All homework exercises and problems are labelled by objective, so that you know where to look back for help.

**Key Terms** are shown in bold print as new words are introduced. Their definitions are contained in the section **Key Terms Defined** at the end of the chapter. The **Glossary** at the back of the book contains all key terms presented in the textbook.

**Color codes** will help you sort out all of the different charts, forms and documents used. They are shown using the following colors:

- **Pink:** Pink forms contain information that must be entered in the accounting records. These are

known as “source documents” because they are the source of the financial information.

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- **Tan:** Tan charts and tables distinguish these items from the source documents, accounting records, and reports.

**Illustration Problems** appear in each chapter. These provide concrete examples of how you apply the concepts and procedures just introduced. They also allow you to try solving the problem before turning to the solution that immediately follows.

**Chapter Review Tests** contain ten short-answer questions to check your understanding of the chapter. The answers appear at the end of the chapter under the heading **Solutions to Chapter Review Test**.

**Answers to Selected Exercises and Problems**, or **Check Figures**, are provided at the back of the book immediately following the final chapter.

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