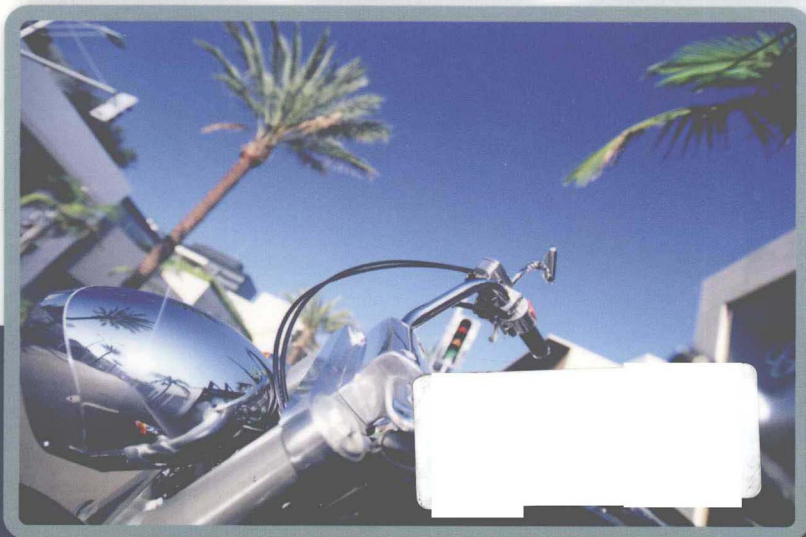
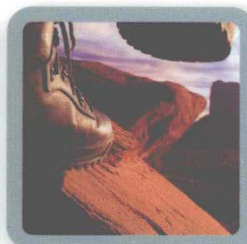


Libby | Libby | Short



F I F T H
e d i t i o n

Financial Accounting

DECK HDI DAL SBUX HET OSI DJ SAM HD
PIZZA ELY DECK HDI DAL SBUX HET OSI

Financial Accounting

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Ithaca College

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Texas Christian University



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Laura Libby, Oscar, and Selma Libby
Bob and Mary Ann Short, Heather Short,
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FINANCIAL ACCOUNTING

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The screenshot shows the 'Set Policies' tab of the Homework Manager interface. It includes four sub-tabs: '1. Choose Name', '2. Select Questions', '3. Set Policies', and '4. Review & Finish'. The 'Advanced' section is active, showing 'Your assignment: Assignment 1'. Under 'Type of Assignment', options include 'Anonymous practice', 'Homework or quiz' (selected), 'Proctored Exam', 'Mastery dialog', 'Study session dialog', and 'Hide assignment from view'. The 'Feedback' section has checkboxes for 'Show hints during the assignment', 'Show the final grade at the end of the assignment', 'Show feedback at the end of the assignment', 'Restrict grade and/or feedback until the assignment', and 'Send email reports to'. The 'Assignment Properties' section includes fields for 'Passing score' (out of 7), 'Time limit' (minutes), and 'Questions per page' (1).

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The screenshot shows the McGraw-Hill Homework Manager Gradebook interface. It includes a header with the McGraw-Hill logo and 'Irwin' branding. The main content area displays student information for 'Anthony J. Agliata' and a list of 'Past Assignments'. The 'Past Assignments' table shows details for 'Chapter 1 Homework' and 'Chapter 2 Homework', including dates, times, scores, and time taken. A 'Close' button is visible at the bottom left.

Assignment	Date	Time	Score	Time Taken
Chapter 1 Homework	1/26/04	at 5:28 PM	Homework 10	Time taken 1401 minutes.
Chapter 1 Homework	1/25/04	at 5:30 PM	Homework 8.54	Time taken 1401 minutes.
Chapter 2 Homework	1/28/04	at 5:34 PM	Homework 9.63	Time taken 30 minutes.
Chapter 2 Homework	1/28/04	at 4:57 PM	Homework 6.78	Time taken 30 minutes.
Chapter 2 Homework	2/18/04	at 6:29 PM	Homework 9.91	Time taken 51 minutes.

PROFESSORS CAN ALLOW HOMEWORK MANAGER TO GIVE STUDENTS HELPFUL FEEDBACK

Auto-grading and feedback.

Question 1: Score 6.5/8

Your response

Exercise 2-1: Using Cost Terms [LO2, LO5, LO7]

Following are a number of cost terms introduced in the chapter:

Period cost	Fixed cost
Variable cost	Prime cost
Opportunity cost	Conversion cost
Product cost	Sunk cost

Choose the cost term or terms above that most appropriately describe the costs identified in each of the following situations. A cost term can be used more than once.

1. Crestline Books, Inc., prints a small book titled *The Pocket Speller*. The paper going into the manufacture of the book would be called direct materials and classified as a **Product cost** (6%). In terms of cost behavior, the paper could also be described as a **Product cost** (0%) with respect to the number of books printed.
2. Instead of compiling the words in the book, the author hired by the company could have earned considerable fees consulting with business organizations. The consulting fees forgone by the author would be called **Opportunity cost** (6%).
3. The paper and other materials used in the manufacture of the book, combined with the direct labor cost involved, would be called **Prime cost** (6%).
4. The salary of Crestline Books' president would be classified as a **Product cost** (0%), and the salary will appear on the income statement as an expense in the time period in which it is incurred.
5. Depreciation on the equipment used to print the book would be classified by Crestline Books as a **Product cost** (6%). However, depreciation on any equipment used by the company in selling and administrative activities would be classified as a **Period cost** (6%). In terms of cost behavior, depreciation would probably be classified as a **Fixed cost** (6%) with respect to the number of books printed.
6. A **Product cost** (6%) is also known as an inventoriable cost,

Correct response

Exercise 2-1: Using Cost Terms [LO2, LO5, LO7]

Following are a number of cost terms introduced in the chapter:

Period cost	Fixed cost
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Product cost	Sunk cost

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3. The paper and other materials used in the manufacture of the book, combined with the direct labor cost involved, would be called **Prime cost**.
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6. A **Product cost** is also known as an inventoriable cost, since

Immediately after finishing an assignment, students can compare their answers side-by-side with the detailed solutions. Students can try again with new numbers to see if they have mastered the concept.

about the Authors



Robert Libby

Robert Libby is the David A. Thomas Professor of Management at the Johnson Graduate School of Management at Cornell University, where he teaches the introductory financial accounting course. He previously taught at the University of Illinois, Pennsylvania State University, University of Texas at Austin, University of Chicago, and University of Michigan. He received his B.S. from Pennsylvania State University and his M.A.S. and Ph.D. from the University of Illinois; he is also a CPA.

Bob is a widely published author specializing in behavioral accounting. He was selected as the AAA Outstanding Educator in 2000. His prior text, *Accounting and Human Information Processing* (Prentice Hall, 1981), was awarded the AICPA/AAA Notable Contributions to the Accounting Literature Award. He received this award again in 1996 for a paper. He has published numerous articles in the *Journal of Accounting Research*; *Accounting, Organizations, and Society*; and other accounting journals. He is past Vice President-Publications of 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 Chair of the Department of Accounting and 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 received her B.S. from Pennsylvania State University, her M.B.A. from DePaul University, and her Ph.D. 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*. She has also conducted seminars nationwide on active learning strategies, including cooperative learning methods.

Daniel G. Short

Daniel Short is Professor of Accounting and Dean of the M.J. Neeley School of Business at Texas Christian University in Fort Worth, Texas. Formerly he was Dean at the Richard T. Farmer School of Business at Miami University (Ohio) 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 M.B.A. and Ph.D. 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.

The proven favorite

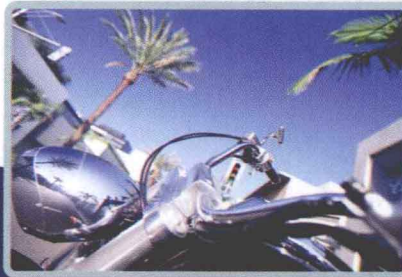
Over four editions, authors Bob Libby, Pat Libby, and Dan Short have made **Financial Accounting** into the best-selling book on the market.* How? By helping the instructor and student to become partners in learning, using a remarkable learning approach that keeps students engaged and involved in the material from the first day of class.

* Monument Information Resource, 2003 Report

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FIFTH
edition



Financial Accounting

DECK HDI DAL SBUX HET OSI DJ SAM HD
PIZZA ELV DECK HDI DAL SBUX HET OSI DJ S

Financial Accounting's distinctive focus company method motivates students by involving them in the business decisions of a real company, 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 Libby/Libby/Short the textbook that both students and instructors agree is the best of its kind on the market today.

of students and instructors alike.

Financial Accounting maintains its leadership by focusing on three key attributes:

REVELANCE. Libby/Libby/Short's trademark focus company approach is your best tool for demonstrating the relevance of financial accounting topics. Ethics continues to be a crucial topic within accounting, and *Financial Accounting* integrates coverage of ethical issues throughout the book. Furthering its real-world applicability, the end-of-chapter cases tie into the bundled annual report from Pacific Sunwear of California and the contrasting report from American Eagle Outfitters. This gives students valuable practice in reading and interpreting real financial data. Finally, Real-World Excerpts expand important chapter topics with insight into how real firms use financial accounting to their competitive advantage.

CLARITY. Do students complain that their textbook is hard to read? They don't if they're reading *Financial Accounting*. Libby/Libby/Short's clean, engaging writing is cited as a consistent strength by both instructors and students. In addition, the organization of the material is constantly refined to ensure maximum readability for students and flexibility for teachers.

TECHNOLOGY AIDES. Today's students have divergent learning styles and numerous time commitments, and they want technology supplements that help them study more efficiently and effectively. McGraw-Hill's Homework Manager and Homework Manager Plus, Topic Tackler, and ALEKS for Financial Accounting provide students with three powerful tools tied directly to *Financial Accounting*, fifth edition, that will help them maximize their study time and make their learning experience more enjoyable. In addition, a **new** Algorithmic Test Bank allows instructors to create an infinite number of algorithm-generated quizzes and test assignments.

Libby/Libby/Short's *Financial Accounting* is the proven choice for presenting financial accounting in a clear, relevant approach 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.

The Financial Accounting

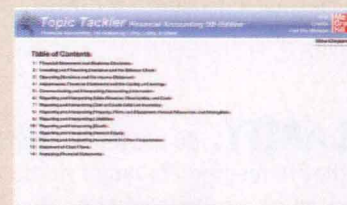
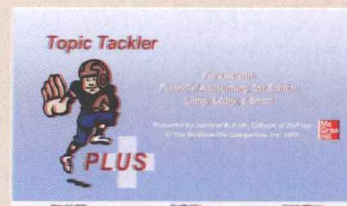
Libby/Libby/Short's Digital Learning System complements the textbook every step of the way, giving students the extra help they need while providing instructors with tools for teaching a stimulating and rewarding class.



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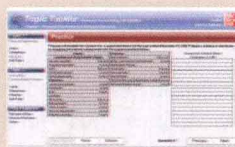
For today's technologically savvy students, **Topic Tackler Plus** is a DVD tutorial that offers a virtual helping hand in understanding the most challenging topics of the financial accounting course. Through a step-by-step sequence of video clips, audio-narrated slides, interactive practice exercises, and self-tests, Topic Tackler offers help on two key topics for every chapter, keeping your students engaged and learning as they read.

Topic Tackler Plus content is also accessible from the textbook's Online Learning Center, allowing students to access these powerful resources anywhere, at any time.



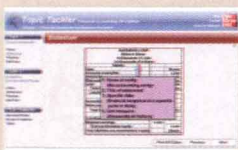
Video clips provide real-world perspectives from a variety of accounting experts.

VIDEO CLIPS



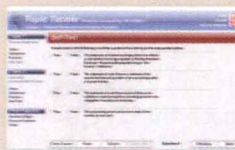
Fun, interactive exercises help students remember key terminology.

EXERCISES



Audio-narrated slide shows offer step-by-step coverage of challenging topics and make a great resource for review. Many also feature animations.

NARRATED SLIDES



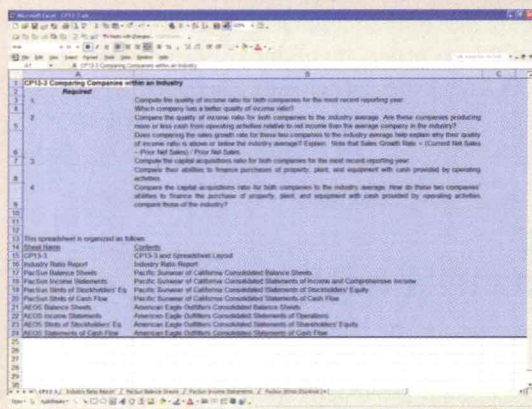
Self-grading quizzes cover all of the main topics, providing an ideal way to brush up before a test.

SELF-TESTS



Concepts appearing in the text that receive additional treatment in Topic Tackler are marked with a unique icon.

Digital Learning System



Excel Templates for Use with the Annual Report Cases

If you're going to work in accounting (or business in general), you have to know Microsoft Excel. Students use the real annual reports of American Eagle Outfitters and Pacific Sunwear of California with accompanying Excel Templates to manipulate real-world data and solve problems. These assignments allow students to experience problem solving as it truly happens in real companies. (The annual reports are found in the textbook appendixes and on this DVD. Prepared by Beth Kern at Indiana University–South Bend, the Excel Templates are found on the DVD and on the book's website.)

Algorithmic Test Bank

If you've ever thought that no test bank, however well made, could have all of the problems you could possibly need, think again. The Algorithmic Test Bank available with Libby/Libby/Short includes a problem generator that replicates the structure of text problems while populating them with fresh numbers. Create unique versions of every homework assignment, every quiz, every test—or use it to provide dozens of similar but distinct problems for students to practice on.

Slides

Constructing the Statement of Cash Flows Using Changes in Noncash Balance Sheet Accounts

	Sources	Uses
Net Income	Always	
Net Loss		Always
Changes in noncash assets	Decreases	Increases
Changes in liabilities*	Increases	Decreases
Changes in capital stock accounts	Increases	Decreases
Dividends paid to stockholders		Always

* Contra assets follow the rules for liabilities.

Prev

Next

Changes in the accounts mentioned on the previous slide can be classified as either sources or uses of cash as shown on this slide:

- Net income is always a source of cash.
- Net loss is always a use of cash.
- Decreases in noncash asset accounts are always sources of cash and increases are uses of cash.
- Increases in liability accounts are always sources of cash and decreases are uses of cash.
- Contra-assets follow the rules for liabilities.

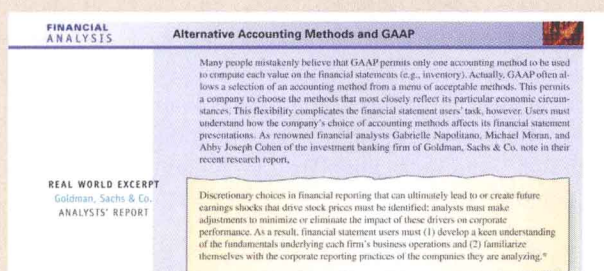
Print All Slides

Narrated Slides

The next best thing to a private lecture, Libby/Libby/Short's narrated slides combine spoken narration, animation, and easy navigability to provide a comprehensive, easy-to-follow study aid for students brushing up for a quiz or a test. Every chapter has its own presentation that closely follows that chapter's organization, even reproducing key chapter figures and exhibits.

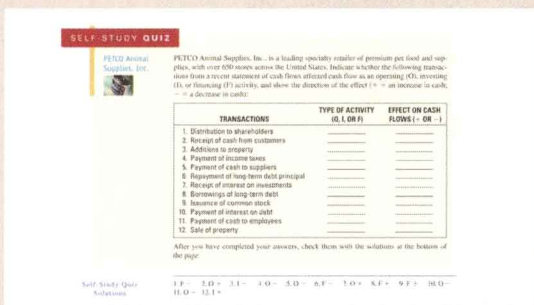
Proven Learning Solutions

Financial Accounting offers a host of pedagogical tools that complement the 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.



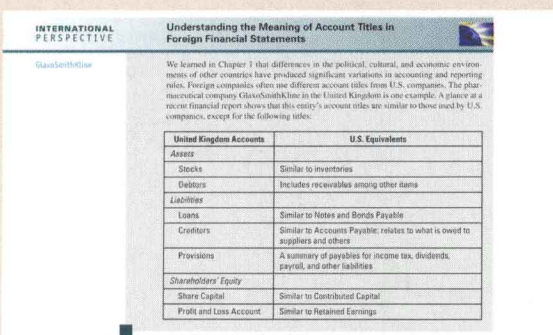
Financial Analysis

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 Quizzes

This active learning feature engages the student, provides interactivity, and promotes efficient learning. Research shows that students learn best when they are actively engaged in the learning process. These quizzes ask students to pause at strategic points throughout each chapter to ensure that they understand key points before moving ahead.



International Perspective

These sections highlight the emergence of global competition and resulting business issues throughout the text as well as the end-of-chapter material.

Callaway Bugged in Quarter, Say Analysts Net Income Fell Short of Wall Street Expectations

Callaway Golf yesterday reported sales of \$363.5 million for the three months that ended March 31, but analysts said the Carlsbad golf company took too many strokes to reach the green.
Callaway posted first-quarter net income of \$40.5 million, or 64 cents a share, excluding one-time charges, but that fell short of Wall Street's expectations. The consensus estimate of analysts pulled by Thomson First Call was 70 cents a share.

Source: The San Diego Union-Tribune, April 23, 2004, p. C-1

REAL WORLD EXCERPT
The San Diego Union-Tribune

Unreported earnings (actual - expected) were -6 cents per share (64 - 70 cents), and, as a result, the share price dropped around 32. The following excerpt from a recent article in *Harvard Business Review* points out the growing importance of meeting or beating the average or consensus analysts' estimate:

The Earnings Game: Everyone Plays, Nobody Wins

Quarterly earnings numbers dominate the decisions of executives, analysts, investors, and auditors... meeting analysts' expectations that earnings will rise in a smooth, steady, unbroken line has become, at many corporations, a game whose imperatives override even the imperative to deliver the highest possible return to shareholders.

Source: *Harvard Business Review*, June 2004, p. 40

REAL WORLD EXCERPT
Harvard Business Review

Real-World Excerpts

These insightful excerpts appear throughout the text and include annual report information from the focus companies, as well as numerous other companies, news articles from various publications, analysts' reports, 10-K forms, press releases, and First Call notes.

Financial Leverage Ratio

KEY RATIO
ANALYSIS

As we discussed earlier in the chapter, companies raise large amounts of money to acquire additional assets by issuing stock to investors and borrowing funds from creditors. These additional assets are used to generate more income. However, since debt must be repaid, taking on increasing amounts of liabilities carries increased risk. The financial leverage ratio provides one measure for analysts to examine this financing and investing strategy.

ANALYTICAL QUESTION

How is management using debt to increase the amount of assets the company employs to earn income for stockholders?

RATIO AND COMPARISONS

Financial Leverage Ratio = Average Total Assets/Average Stockholders' Equity

"Average" is a simple average computed by adding together the beginning and ending balance of assets or stockholders' equity, then dividing by two. Averaging of the balance sheet amounts is done to capture the midpoint of activities during the period. In a formula format, the computation is:

(Beg bal + End bal) / 2

The 2003 ratio for Papa John's (in dollars are in thousands):

2003 Balance		2002 Balance	
Assets	\$367,000	Assets	\$347,000/2
Equity	\$132,000	Equity	\$150,000/2 = 2.54

Comparisons over Time		Comparisons with Competitors	
Papa John's International, Inc.	2001 2002 2003	California Pizza Kitchen, Inc.	2003 2003
2.16 2.38 2.54		1.26 2.23	

Determining the Competition
The current choices compare the client competitors, *Pizza Hut* and *Dominos*, are also primary competitors for Papa John's, are not used in this analysis for the following reasons:
• *Pizza Hut* is owned by Yum! Brands. The following ETC and ETC-Bell Separate financial information for Papa John's is not publicly available.
• Last 2004, Dominos's sales showed a change in ownership in

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.

Management's Incentives to Violate Accounting Rules

A QUESTION OF ETHICS

Investors in the stock market base their decisions on their expectations of a company's future earnings. When companies announce quarterly and annual earnings information, investors evaluate how well the companies have met expectations and adjust their investing decisions accordingly. Companies that fail to meet expectations often experience a decline in stock price. Thus, managers are motivated to produce earnings results that meet or exceed investors' expectations to bolster stock prices. Since stock incentives are given options to purchase company stock as part of their compensation, good pay had more managers to make unethical accounting and reporting decisions, including inflating revenues and expenses.

The accounting scandal at Enron, Worldcom, and other high-profile companies in recent years prompted federal and state provisions to become very aggressive in forcing one company from a culture for which managers may be motivated to act. At the time this was written, the following managers had been convicted or accused of people raising accounting fraud in recent years.

Company	Fraud	Convictions, Fines, and Outcomes
Enron/Worldcom	\$1 billion - Enron had fraudulently booked certain revenues in the general ledger to offset profits and late expenses.	Former Worldcom CEO Bernard L. Madoff indicted on federal fraud and conspiracy charges, accused of embezzling the largest accounting trust funds in corporate history. QES Enron's former CEO and former chairman of Enron's audit committee, Kenneth Lay, indicted on federal fraud and conspiracy charges. Lay was sentenced to 30 years in prison.
Enron	\$8 billion - chief executive officer indicted on federal fraud.	Enron's two top executives, including former CEO and former chairman Kenneth Lay, have been indicted. At least 20 Enrons have been indicted or placed under criminal investigation. Lay has been sentenced to jail.
HealthSouth	\$2.34 billion - fraudulently	Enron's former employees including five former chief financial officers indicted on federal fraud.

A Question of Ethics

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

Investing and Financing Activities

FOCUS ON
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 involved 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 effect the statement of cash flows. In general, the effects of such activities are as follows:

Operating activities	Effect on Cash Flows
No transactions in this chapter were operating activities.)	
Investing activities	
Purchasing long-term assets and investments for cash	-
Selling long-term assets and investments for cash	+
Lending cash to others	-
Receiving principal payments on loans made to others	+
Financing activities	
Borrowing cash from banks	+
Repaying the principal on borrowings from banks	-
Issuing stock for cash	+
Repurchasing stock with cash	-
Paying cash dividends	-

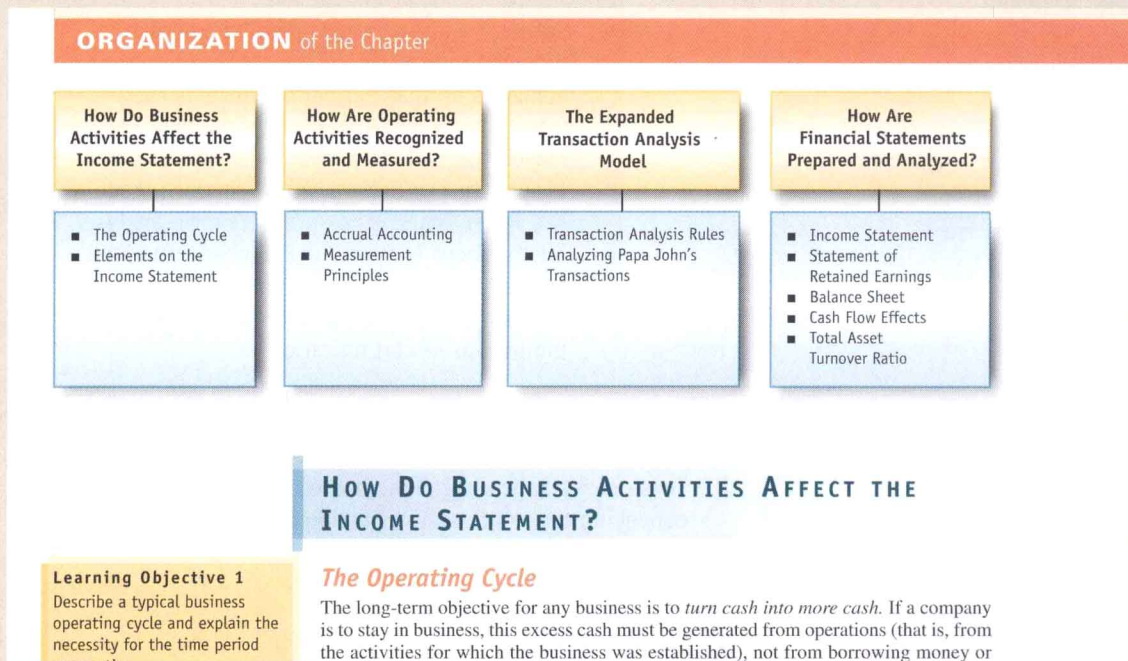
Focus on Cash Flows

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. 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.

Proven Learning Solutions

ORGANIZATION OF THE CHAPTER SCHEMATIC

A unique feature of Libby/Libby/Short, this visual framework provides a powerful visual schematic of each chapter's content, easily enabling students to find exactly the chapter topic or concept they're looking for.



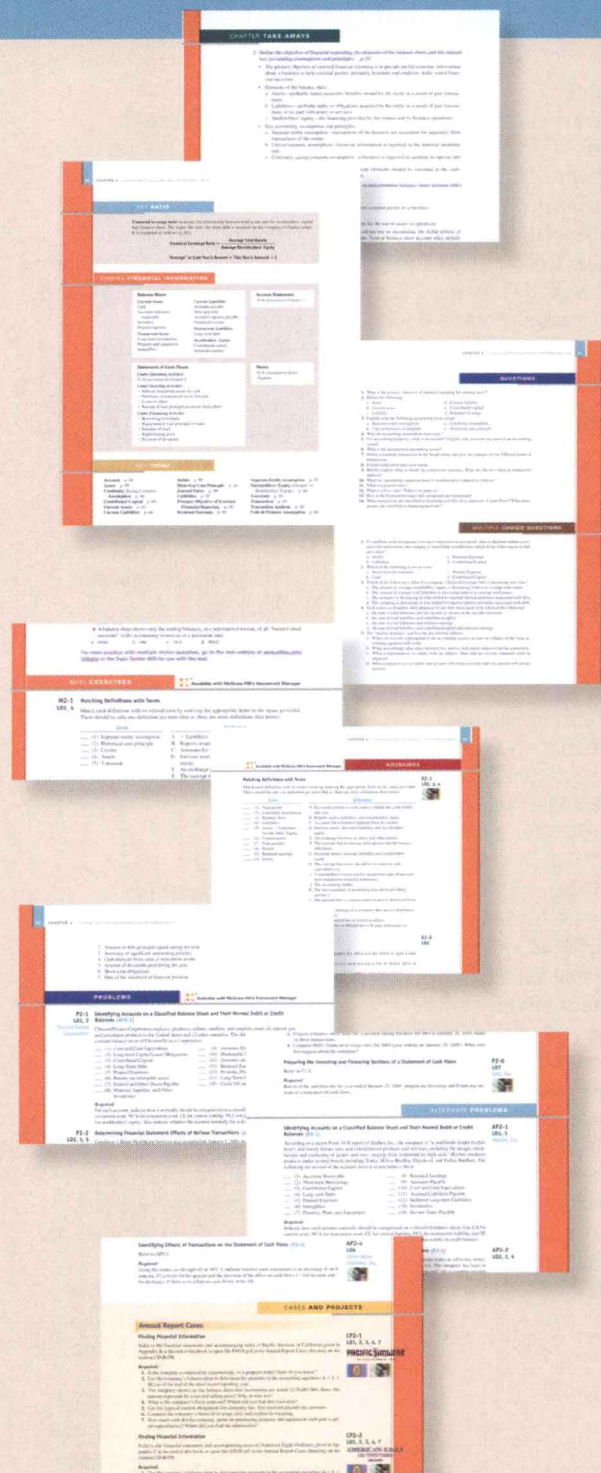
ALL JOURNAL ENTRIES TIED TO THE ACCOUNTING EQUATION

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.

Flexible End-of-Chapter Content and Organization

Each chapter is followed by an extensive selection of end-of-chapter assignments that examine single concepts or integrate multiple concepts presented in the chapter, arranged by level of difficulty and in learning objective order. To maintain the real-world flavor 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 strategic locations.

- **Chapter Take-Aways:** bulleted end-of-chapter summaries that compliment the learning objectives outlined at the beginning of the chapter.
- **Key Ratios:** summary of the key ratios presented in the chapter.
- **Key Terms:** page referenced to the chapter text.
- **Finding Financial Information:** highlights the chapter's key concepts, numbers, and totals in an easy-to-review graphic. The graphic includes Balance Sheet, Income Statement, Statement of Cash Flows, and Note Information.
- **Questions**
- **Multiple-Choice Questions**
- **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
- **Cases and Projects:** include Annual Report Cases, Financial Reporting and Analysis Cases, Critical Thinking Cases, and Financial Reporting and Analysis Projects



What's **New** in the Fifth Edition?

The primary goals of the fifth edition revisions are to provide instructors with more flexibility in key topical coverage, to simplify explanations of complex topics; to make the end-of-chapter material match instructor needs better, and to accurately reflect the exciting changes taking place in the accounting environment. As a result, the authors have revised at least 50 percent of the end-of-chapter material in each chapter, as well as making the detailed revisions noted in the following sections.

Chapter 1

- Updated coverage of recent accounting scandals
- New exhibit (Exhibit 1.7) summarizing the four basic financial statements
- New International Perspective feature discussing International Accounting Standards Board
- Substantially revised end-of-chapter exercises and problems using new real-world companies and numbers
- New annual report cases and new financial reporting cases

Chapter 2

- Updated opening discussion for Papa John's International
- Moved financial leverage ratio later in the chapter
- Enhanced discussion and visuals within Key Ratio Analysis feature
- Updated articles and ratio comparisons
- Substantially revised end-of-chapter exercises and problems using new real-world companies and numbers
- Upgraded Team Project to follow concept of a continuous project from prior and subsequent chapters
- New annual report cases

Chapter 3

- Updated opening discussion for Papa John's International
- New International Perspective discussing foreign financial statements
- Updated articles and ratio comparisons
- Added summary chart to enhance understanding of how statements are linked
- Clarified requirement and transactions
- Upgraded Team Project to follow concept of a continuous project from prior and subsequent chapters
- Substantially revised end-of-chapter exercises and problems using new real-world companies and numbers
- New annual report cases

Chapter 4

- Updated opening discussion for Papa John's International
- Added new section on Analysis of Adjusting Entries
- New art integrated into discussion of deferrals and accruals
- Realigned discussion by Revenues (deferred and accrued) and Expenses (deferred and accrued) in fifth edition versus Deferrals (revenues and expenses) and Accruals (revenues and expenses) in fourth edition.
- Added summary exhibits—Exhibits 4.3 and 4.4—for deferrals and accruals to

highlight the differences in the earning of revenue (or incurring of expense) versus cash receipts (or payments)

- Expanded introductory summary of accounts to be adjusted in the Papa John's illustration to emphasize the identification of deferrals and accruals and the timing of cash receipts and payments
- Rearranged illustrations to follow revisions made to text
- Simplified account titles to follow more closely with end-of-chapter account titles (e.g., Supplies Expense instead of General and Administrative Expense)
- Updated articles and ratio comparisons
- Substantially revised end-of-chapter exercises and problems using new real-world companies and numbers
- Upgraded Team Project to follow concept of a continuous project from prior and subsequent chapters
- New annual report cases

Chapter 5

- Added coverage of recent accounting scandals and new Sarbanes-Oxley requirements
- Added new exhibits explaining the corporate governance and accounting communication process
- Introduced new discussion of common-size income statements

- Included new discussion of International Accounting Standards Board
- Added new self-study quizzes
- Simplified financial statement presentations
- Substantially revised end of chapter using new real companies and numbers
- Added new financial reporting and ethics cases
- New annual report cases

Chapter 6

- New focus company (Deckers Outdoors, maker of Teva sandals)
- New self-study quiz on accounting for doubtful accounts
- New self-study quiz on aging of accounts receivable
- Introduced new, simpler presentation of aging method for estimation of doubtful accounts
- Substantially revised end-of-chapter exercises and problems using new real-world companies and numbers
- New annual report cases

Chapter 7

- Reorganized discussion of effects of inventory methods on financial statement analysis moved to follow ratio discussions.
- Simplified presentation of cost of goods sold calculations
- Introduced new contrast company Ducati Motorcycles
- New step-by-step self-study quizzes

What's New?

- Added new basic exercises on the effects of cost-flow assumptions on cost of goods sold and ending inventory added to end of chapter material
- Substantially revised end-of-chapter exercises and problems using new real-world company data (Ford, Kodak, Dell, American Eagle Outfitters, etc.)
- Upgraded Team Project to follow concept of a continuous project from prior and subsequent chapters
- New annual report cases

Chapter 8

- Updated all articles and real-world information
- Clarified discussions/illustrations on revenue and capital expenditures, depreciation concepts, depreciation methods, and amortization
- Substantially revised end-of-chapter exercises and problems using new real-world companies and numbers
- Upgraded Team Project to follow concept of a continuous project from prior and subsequent chapters
- New annual report cases

Chapter 9

- New focus company (Starbucks)
- Introduced new chapter supplements—using Excel and Future Value Concepts to compute present values
- Integrated Excel commands in discussion of present

- value computations
- Revised payroll accounting discussion
- Provided new discussion showing relationship between operating activities and the creation of current liabilities
- Expanded discussion of lease liabilities
- Substantially revised end-of-chapter exercises and problems using new real-world companies and numbers and expanded number of present value problems
- Upgraded Team Project to follow concept of a continuous project from prior and subsequent chapters
- New annual report cases

Chapter 10

- Moved discussion of bond basics into new section
- Focused discussion of types of bonds on only the most commonly used bonds
- New chapter supplement—using Excel to determine the present value of bonds
- Integrated Excel commands into discussion of computing the value of bonds
- Expanded amortization schedules to include full life of bonds
- Updated discussion of early retirement of bonds to include rule change
- Reorganized discussion of straight-line and effective-interest amortization to permit users to easily cover either or both methods
- Changed all interest

payments to an annual basis to reduce repetitive computations

- Expanded discussion of how interest expense is reported
- Substantially revised end-of-chapter exercises and problems
- Upgraded Team Project to follow concept of a continuous project from prior and subsequent chapters
- New annual report cases

Chapter 11

- Updated real-world excerpts
- Removed coverage of stock issued for noncash assets so focus is now on the most common transactions
- Substantially revised end-of-chapter exercises and problems using new real-world companies and numbers
- Upgraded Team Project to follow concept of a continuous project from prior and subsequent chapters
- New annual report cases

Chapter 12

- Significantly updated all real world excerpts and articles
- Added a marginal visual
- Substantially revised end-of-chapter exercises and problems using new real-world companies and numbers
- Upgraded Team Project to follow concept of a continuous project from prior and subsequent chapters
- New annual report cases

Chapter 13

- Revised chapter to be used any time after Chapter 4
- Revised chapter to be used to cover direct, indirect, or both methods for presenting the Operating section
- Simplified presentation of the steps involved in preparing the operating section using the indirect method
- Expanded use of T-accounts to explain indirect method
- Added new problems with data that can be assigned for direct and/or indirect method
- Added Enron-based ethics case
- Substantially revised end-of-chapter exercises and problems using new real-world companies and numbers
- Upgraded Team Project to follow concept of a continuous project from prior and subsequent chapters
- New annual report cases

Chapter 14

- Updated focus and comparison companies
- Revised financial analysis of focus and comparison companies
- Substantially revised end-of-chapter exercises and problems using new real-world companies and numbers
- Upgraded Team Project to follow concept of a continuous project from prior and subsequent chapters
- New annual report cases

Teaching With Technology



ONLINE LEARNING CENTER www.mhhe.com/libby5e

For instructors, Libby's Online Learning Center contains the Instructor's Resource Manual, PowerPoint slides, Solutions Manual, Excel Templates tied to the end-of-chapter material, and the Annual Report Cases Templates, all organized by chapter. There are also links to professional resources.

In addition, for students and instructors, there are two appendixes linked to the text material, check figures, articles tied to end-of-chapter material, Web links to the focus company financial statements, and McGraw-Hill's Homework Manager (see the next item). Instructors can pull all of this material into their PageOut course syllabus or use it as part of another online course management system.

The student section of the site includes (in addition to the preceding elements) Topic Tackler Plus content (see page VI), self-quizzes, learning objectives, PowerPoint slides, chapter outlines, chapter take-aways, and digital flashcards.



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