

DAVID E. MIELKE
DONALD E. KIESO
JERRY J. WEYGANDT

GAAP/FASB/AICPA/CPA/AAA
SEC/FEI/GASB/CMA/NAA/IRS
FSA/AGA/CIA/GAAP
FASB/FSA/AGA/CIA/GAAP
GAAP/CMA/NAA/IRS/IA/IMA
FSA/AGA/CIA/GASB/FASB
AICPA/CPA/AAA/SEC/FEI/GAA

CASES IN FINANCIAL ACCOUNTING

CASES IN FINANCIAL ACCOUNTING

DAVID E. MIELKE Ph.D.
Marquette University
Milwaukee, Wisconsin

DONALD E. KIESO Ph.D., C.P.A.
Northern Illinois University
DeKalb, Illinois

JERRY J. WEYGANDT Ph.D., C.P.A.
University of Wisconsin
Madison, Wisconsin

JOHN WILEY & SONS

New York Chichester Brisbane
Toronto Singapore

The authors wish to acknowledge the following source for Case 19-7:

THE WALL STREET JOURNAL, May 8, 1985, Vol. CCV #90 p.34

Copyright © 1986 by John Wiley & Sons, Inc.
All rights reserved.

Reproduction or translation of any part of this work beyond that permitted by Sections 107 and 108 of the 1976 United States Copyright Act without the permission of the copyright owner is unlawful. Requests for permission or further information should be addressed to the Permissions Department, John Wiley & Sons.

ISBN: 0-471-83194-8
Printed in the United States of America
10 9 8 7 6 5 4 3 2 1

PREFACE



The case method is a teaching method that has been in existence for some time. It differs from traditional teaching methods in that it does not involve the memorization of facts and an instructor lecturing the students on his thoughts. The emphasis is on the development of thinking, problem solving skills, and technical knowledge through discussion. The lecture method has learning through listening with an emphasis on the acquisition of facts as its primary goal. In contrast, the case method has learning through discussion with an emphasis on thinking as its primary goal.

To some extent the degree of success in reaching the primary goal of the case method is dependent on the availability of a collection of cases which pertains to a variety of issues with varying degrees of difficulty and requiring different levels of student expertise and involvement. This book attempts to satisfy those needs by providing over 238 cases with a variety of formats, solution approaches, and degrees of difficulty. The topics covered include almost all those covered in an Intermediate Accounting textbook and additional topics which might only be studied in advanced accounting courses.

We have attempted to develop a set of cases which will permit different pedagogical approaches to be used. The book may be used alone in the classroom or as a supplement to a more conventional accounting text. Sufficient cases are available in this textbook on which an entire course could be developed; for example as the text for an advanced theory course in financial reporting. It might also be used in connection with outside readings to study many topical and sometimes controversial issues in accounting and financial reporting. The solutions manual presents recommended readings for each chapter which might be used in this respect.

Some instructors might wish to use the text as a supplement and assign only a limited number of cases for classroom discussion in Intermediate Accounting. Others might wish to expand the intermediate accounting sequence as some schools have done (such as three semesters) and integrate the case method into this expanded time allotment.

The cases are aimed at students who have some exposure to basic accounting concepts and methods. However, because of the variation of degrees of difficulty involved in the cases the students might be at the intermediate or advanced level. Master's students and business executives would also find ample materials appropriate at their levels.

The cases themselves are of many different types. Some of the cases are similar to AICPA or CMA type questions. They are relatively short and require a solution that can be considered right or wrong. Others are technically oriented. The issue to be resolved is fairly obvious, the facts are given relative to the issue, some numerical calculations may be required, basic judgments might be made about the relative importance of various considerations, and a technical accounting solution is reached.

Other cases are more of the armchair variety that are not subject to precise definition

or a single solution. One armchair approach might require the identification of a particular accounting issue and the evaluation of potential alternative treatments of the issue. Another approach may be to assess the economic implications of the accounting treatment and to speculate as to the motivations of the preparers of the financial statements. The students could also be placed in the role of a decision maker and asked to respond. Although the majority of the armchair cases are conceptual in nature, a number may also require computations and journal entries.

Another type of case may require the consideration and discussion of accounting theory. An excerpt from a speech, editorial comment, magazine article, or other published source may serve as the focus of an accounting theory controversy. Varying degrees of research are required to prepare these solutions.

Finally, certain cases attempt to bring the study of accounting and the real world together. The materials explore and analyse the application of financial accounting in the context of actual annual reports.

The student's role in this course can be easily stated: preparation and participation. It is important that students realize that the case method may require new methods of preparation relative to previous lecture oriented courses and that the first attempts at case solutions may lead to frustration. Students may want closure. They want the "right" answer. They may think that, as in other accounting courses, there are sets of rules or methods of solution that if memorized and followed, will lead to the correct answers. This is not usually the situation with case analysis. There may be no single correct solution, but a variety of solutions. Actual real world situations as depicted in the cases may involve exceptions, little well-defined guidance, and uncertainties.

A generalized procedure is offered as a model to aid the student in approaching most cases. First, scan the case to obtain a fast, accurate overview of the primary issues or problems involved, the type of information provided, type of information required, and whether or not quantitative analysis will be necessary.

Second, the student should read the case carefully. Underline key facts and write notes in the margin.

The next step required may be an examination of the underlined material and margin notes to identify the problems faced by the manager or accountant and if not stated in the case instructions, state the problem as succinctly as possible. By writing down the problems the student may better clarify the issues in their minds.

Fourth, the student should think about the information required for the analysis and solutions. There may be a need to examine accounting textbooks, professional pronouncements, or other literature to search for solutions. This research and investigation process is a valuable bonus of the case method.

The next step is the accumulation of the required information from both within the case, and, if necessary from outside sources and to outline a solution.

Sixth, since communication is important in practice, the student should prepare a case write-up—whether or not it is to be turned in. The write-up should answer the questions logically and if necessary build an argument from an introduction at the beginning to the conclusions and recommendations at the end.

Finally the student should participate in class discussion. The student should be willing both to express and support his or her work and to listen to and objectively analyze the work of others. The key is to relax, learn, and help others learn through your participation.

A basic premise of the case method is that one learns by doing. It follows that the best way to learn about the case method is to use it. It can be a stimulating, rewarding experience for both the student and for the instructor.

Special thanks are extended to the primary reviewers of our manuscript:

Robert Bartlett
California State
University-Sacramento

George C. Holdren
University of Nebraska

David Finley
University of Houston

Thomas Nunamaker
Washington State University

We would also like to extend our thanks to the students who, over the past years, participated in the development of some of the case materials, Kathleen Hawkins for her tireless efforts in typing the manuscript, and to Christine Mielke for her constant encouragement and patience during the writing process. While we are pleased to credit all those who assisted us, the responsibility for any errors rests solely with us.

CONTENTS



CHAPTER 1 – THE ENVIRONMENT OF FINANCIAL ACCOUNTING AND THE DEVELOPMENT OF ACCOUNTING STANDARDS	1
Savings and Loan Dilemma	1
"Generally Accepted Accounting Principles"	2
The Role of the SEC and FASB	3
Economic Consequences	3
Accounting Standard Setting	4
Models for Setting Accounting Standards	5
The Role of Research	6
The Accounting Environment	7
Operating Efficiencies at the FASB	8
The Accounting Profession	9
 CHAPTER 2 – THEORY FORMULATION AND THE CONCEPTUAL FRAMEWORK	 11
Examination of the Conceptual Framework	11
Theoretical Framework	12
Major Problems of Accounting Theory	13
Social Welfare	13
Insurance Industry	14
Harbott, Inc.	15
Approaches to Constructing Accounting Theory	16
Users of Accounting Information	16
Information Characteristics	17
FASB Concepts Statement No. 2	18
 CHAPTER 3 – STATEMENT OF INCOME AND RETAINED EARNINGS	 21
The Definition of Income	21
Vulcan, Inc. Income Statement Presentation	22
Tooey vs. Percival	24
Mecklin Inc.: Extraordinary Losses?	25
Unusual Events	26
Holmes, Inc.	27
Current Operating vs. All Inclusive Income	28
Classification of Irregular Items	29
"Life is Not Smooth"	31
Income and Capital	31
Discontinued Operations	32
 CHAPTER 4 – THE BALANCE SHEET AND STATEMENT OF CHANGES IN FINANCIAL POSITION	 35
The Historical Cost Balance Sheet?	35
Hillery, Inc.	36
Allied Communications Co.	39
Balance Sheet Presentation	40
Balance Sheet Disclosures	42
Lockstep Corp	43
Yoho Plumbing, Inc.	44
The Volkswagen Group	45
Relationship Between the Balance Sheet and Income Statement	47
Jemco, Inc.	48
Weston, Inc.	49

CHAPTER 5 – CASH AND RECEIVABLES 51

Handy Man, Inc.	51
Cold, Hard Cash	52
Northwest Lumber Co.	53
Floating Deposits	62
Marshall Chemical Co.	62
Smalley Supply, Inc.	63
Double Default	64
Largo Company	65
Rice Co.	66
Horsing Around	67

CHAPTER 6 – VALUATION OF INVENTORIES 69

Inventory is Inventory	69
Harnischfeger Corporation	70
"Profitable" Obsolete Inventory Losses	72
Cost of Goods Sold and Inventory	73
Liquid LIFO Inventory	74
Standard Costs for Inventory?	75
Lower of Cost or Market	77
Sutro Company	78
The Munz Company	79
Manor Nylons, Incorporated	79

CHAPTER 7 – ACQUISITION AND DISPOSITION, DEPRECIATION, AND DEPLETION OF PROPERTY, PLANT, AND EQUIPMENT 81

Useful Arbitrary Allocations	81
The Nature of Property, Plant, and Equipment	82
Electricpower's Audit Program	83
The High Sierra Real Estate Co.	84
Depreciaton Disclosure	86
Roadway Transport Co.	88
Standard, Inc.	89
Warren Manufacturing, Inc.	91
Capitalize or Expense?	91
Depreciation Problems	93

CHAPTER 8 – INTANGIBLE ASSETS 97

HAL Corporation	97
C.W. Dean	99
The Value of Professional Athletes	101
Spartan Corporation	102
Rent-A-Tech	104
Equine Enterprises	106
Hubert Inc.	107
Motor Carrier Industry	109
Simpson Photo	110
Amortization of Development Costs	113

CHAPTER 9 – CURRENT LIABILITIES AND CONTINGENCIES 115

Red Inc.	115
Zoe Corporation	116
Marchael Manufacturing, Inc.	117
Fresno Airlines	118
The Changing Liability	118
Fountain, Inc.	119
The Greyhound Corporation	120
Contingencies	121

American Fidelity Corporation	122
RCA Corporation	123
CHAPTER 10 – LONG-TERM LIABILITIES	125
Consolidated Foods Company	125
Adventure Manufacturing Company	126
Chavez Company	128
Goodwealth Tire Company	129
Restructuring of Debt	130
WLTA Bank	132
Ross Steel Company	133
The Formerly Troubled Company Inc. (FTC)	134
Acme Restaurants, Inc.	137
Chrysis Corporation	138
In-Substance Defeasance	140
Cooperation for Off-Balance Sheet Financing	141
CHAPTER 11 – STOCKHOLDERS' EQUITY	143
"Secret Reserves"	143
Bush Terminal	144
Ford Motor Company	147
Hawkeye Chemical	148
City Utility	149
Financial Press Statement	150
Hock Pencil Company	151
Growing Shares of Stock	152
The Value of Treasury Stock	153
Microsoft Corporation	155
CHAPTER 12 – DILUTIVE SECURITIES AND EARNINGS PER SHARE	157
Summary Indicator	157
Noreen Enterprises	158
Steel City Gem	160
Epson Company	161
Beam-O-Light Corporation	163
Smother Co.	164
Earnings Per Share	165
Hargrove Manufacturing Company	166
Satellite Services, Inc.	168
Fast Grow Corporation	169
CHAPTER 13 – INVESTMENTS	171
Business Combinations	171
City Builders Corporation	172
Acquisitions, Inc.	173
Tanzania Refining Company	174
Real Data Systems	176
Land and Building Planning, Inc.	177
Badger Company	178
Maniott Corporation	179
Sharp, Inc.	180
Purchase Versus Pooling	182
Boston Corporation	186
Temporary Investments	187
Leather Luggage Company	188
CHAPTER 14 – REVENUE RECOGNITION	191
Gerscke Enterprises	191

Real Estate Development, Inc.	192
Today's Youth	194
Chief Burger	195
Southern Fried Shrimp	196
Samson, Inc.	198
Video Station	200
Modern Investment Services, Inc.	201
Inexco Oil Company	203
Satellite Systems Corporation	205

CHAPTER 15 - ACCOUNTING FOR INCOME TAXES 207

Let the Tax Follow the Income	207
Personal Financial Statements	208
Aetna Life and Casualty	216
Omaha Corp.	218
Subsidy or Stimulant?	220
American Electric Power Co.	223
Menlow Engineering	228
Beck Company	229
Death and Taxes	230
Crop-Keep Corp.	231

CHAPTER 16 - ACCOUNTING FOR PENSION COSTS 233

The Pension Obligation	233
Pretentious Packaging, Inc.	238
Champion Motors	242
Benevolent Corporation	243
Buying a Pension Plan	245
Bethlehem Steel Corporation	248
Delta & Sigma Phototype, Inc.	254
Scott Steel Co., Inc.	256
Pension Terms	257
Actuarial Services	259

CHAPTER 17 - ACCOUNTING FOR LEASES 261

A Lease is a Lease is a Lease ...	261
Auto-Lube, Inc.	262
Community Hospital	263
Amco Company	265
Betty Young's Bakery	266
The Davids Corporation	268
Lease Agreement	270
First City Bank	271
Leveraged Leasing	272
St. Francis Hospital	273
BankAmerica Corp.	275

CHAPTER 18 - ACCOUNTING CHANGES AND ERROR ANALYSIS 277

The AT&T Divestiture	277
Norbert Electrostatics, Inc.	280
Quick-Wash Services, Inc.	282
FIFO to LIFO to FIFO	283
Harnett, Inc.	284
Interlaken, Inc.	286
Monte Corp.	287
Restatement for Comparison?	288
The Errors of Naples	290
Sturm, Inc.	291

CHAPTER 19 – INTERNATIONAL ACCOUNTING 295

"THE" Accounting Change – 1982	295
Functional Currency	297
Foreign Inflation	298
International Consolidation	299
One or Two Transactions?	301
Hedging	302
International Accounting Standards?	304
Comparative Systems of Accounting	307
Adjust to GAAP	308
Foreign Disclosure	310

CHAPTER 20 – FINANCIAL REPORTING AND CHANGING PRICES 313

Accounting for Inflation	313
Enterprise Building Contractors	315
Hershey Foods Corporation	316
Allen, Inc.	318
Valueland Investment Trust	320
The Fallacies of General Price Level Accounting	321
Inflation Accounting for Nonmonetary Assets	323
San-Tan, Inc.	324
The SEC and ASR190	325
Wild Enterprises	326

CHAPTER 21 – BASIC FINANCIAL STATEMENT ANALYSIS 329

"Picking Winners"	329
Financial Statement Analysis	330
Earnings Analysis	331
Loan Evaluation	333
Fundamental Investment Analysis	334
Schaefer Retailers	336
Dividend Policy	337
The Value of Book Value	338
Acquisition Analysis	340
Trading on Equity	342

CHAPTER 22 – FULL DISCLOSURE IN FINANCIAL REPORTING 345

The Penn Central	345
Management's Responsibilities	346
Social Responsibilities	348
Comparable Segmental Information?	351
Big Sky Ski Company	352
Atlantic, Inc.	354
"Safe Harbor" Forecasts	355
Harness Corporation	356
State Utility	358
T.A. Properties	359

CHAPTER 23 – EMERGING ISSUES 361

ADC Loans	361
Sale of Securities with a "Put"	363
Recognition of Purchased Losses	364
Accounting for Section 83 Stock Purchase/Option Plans	365
Temporary Control Income	367
Contingent Stock Purchase Warrants	368
Purchased Lease Residuals	369
Debt or Equity?	370
Creative Financing	371
The Problem of Duplicate Facilities	372

CHAPTER 1



THE ENVIRONMENT OF FINANCIAL ACCOUNTING AND THE DEVELOPMENT OF ACCOUNTING STANDARDS

1-1 Savings and Loan Dilemma

In the early 1980's, hardly a day went by in which the problems of the savings and loan (S&L) industry were not discussed in the financial press. The cause of the S&L's problems was that the rates paid on the monies they borrowed had substantially increased, whereas the return on their assets (mostly long-term fixed rate mortgages) had risen slowly. For example, in the first part of 1981, S&Ls paid 10.31% for their money and received only 9.72% on their mortgages. Such a situation caused two problems financially for the industry namely, capital adequacy and liquidity. Capital adequacy problems arise because if the loan portfolio were written down to its market value, many S&L's net worth would be eliminated. Such a treatment might lead to a total loss of confidence in the industry. Liquidity problems develop because some S&Ls are paying out more than they receive, and therefore may not have enough to pay their bills and to allow depositors to withdraw their monies.

One solution proposed would be to allow the S&Ls to sell mortgage loans at a loss (increase liquidity) but allow them to charge the loss to capital over the life of the loan (maintain capital). The savings and loan industry lobbied hard for such a treatment. The government through the Federal Home Loan Bank Board recommended that such an approach be permitted. Others disagreed. Many accountants argued that the sale of an asset (in this case, mortgage loans) should generate a gain or loss on sale. In addition, it was noted that to defer this loss has the effect of burying this item in the balance sheet such that an investor would not be aware of the transaction. Others argue that a deferred loss account cannot be an asset because no future benefits will be received from it.

You have a Savings and Loan Company as a client who has recently been experiencing a severe liquidity problem. The S&L sold some of its mortgages, but is now concerned with how to account for this transaction. Since this is a relatively new or emerging issue you explain that some research may be necessary to determine a method of accounting for the transaction.

INSTRUCTIONS:

Without addressing the specific financial accounting problem described, what is a general research approach that an accountant might take to investigate emerging issues such as the one described in this case? Include a listing of reference materials that might be helpful in your research.

1-2 "Generally Accepted Accounting Principles"

Following is the report of the independent certified public accountants for Anheuser-Busch Companies, Inc:

To the Shareholders and
Board of Directors of
Anheuser-Busch Companies, Inc.

February 6, 1985

In our opinion, the accompanying Consolidated Balance Sheet and the related Consolidated Statements of Income, Shareholders' Equity and Convertible Redeemable Preferred Stock, and of Changes in Financial Position present fairly the financial position of Anheuser-Busch Companies, Inc. and its subsidiaries at December 31, 1984 and 1983, and the results of their operations and the changes in their financial position for each of the three years in the period ended December 31, 1984, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse

INSTRUCTIONS:

1. Explain the meaning of the term "accounting principles" as used in the audit report. (Do not discuss the significance of "generally accepted" in this part of the case.)
2. How do you determine whether or not an accounting principle is

generally accepted? Discuss the sources of evidence for determining whether an accounting principle has substantial authoritative support. Do not merely list the titles of publications.

3. Do generally accepted accounting principles allow for diversity in accounting practice? Would you expect diversity of accounting practice to exist in an environment in which the accounting profession continually attempts to improve comparability?

1-3 The Role of the SEC and FASB

A press release announcing the appointment of the trustees of the new Financial Accounting Foundation stated that the Financial Accounting Standards Board (to be appointed by the trustees) "...will become the established authority for setting accounting principles under which corporations report to the shareholders and others" (AICPA news release, July 20, 1972).

INSTRUCTIONS:

1. No mention is made of the SEC in the press release. What role does the SEC play in setting accounting principles?
2. How have accounting principles been set in the past ten years? In your answer identify the body performing this function, the sponsoring organization, and the method by which the body arrives at its decisions.
3. What methods have management and management accountants used to influence the development of accounting principles in the past ten years?

(CMA adapted)

1-4 Economic Consequences

The prospect of revised pension accounting standards continues to cause controversy. The long revision process started formally in the mid-1970's with an FASB research project concerned with employers' accounting for pension plans. The FASB Discussion Memorandum sought to identify all of the issues relevant to pension plan accounting. A significant period of time was allowed for public comment and in November 1982 the FASB published its "Preliminary Views: Employers' Accounting for Pensions and Other Postemployment Benefits."

Substantial criticism was directed at the FASB. A primary concern was the recognition of previously unrecorded pension liabilities. Opponents of the Preliminary Views fear severe economic consequences. For example, debt to equity ratios may deteriorate to the extent that companies may be in violation of existing debt covenants. This could cause massive loan defaults--and even bankruptcy. The higher debt to equity ratios may make it more difficult to raise capital and would surely raise the firm's interest expense. Besides, said many opponents, these liabilities do not represent legal liabilities and will never have to be paid. Employers might become reluctant to improve pension plan benefits. This could have severe economic (and social) consequences for future retired workers and even for the social security system.

Proponents of the liability recognition cite a consistent line of reasoning flowing from the conceptual framework and pension theory as a basis for the recognition of the pension liability. After all, neutrality in accounting is an important criterion for the establishment of accounting principles and information that is not neutral loses credibility. Slanting accounting information to favor one group or another is not consistent with the accountant's responsibility to "fairly present" the financial statements.

The criticisms continue: "The proposals do not portray economic reality," "the proposals will have severe economic consequences on capital markets, firms, and plan participants." "The FASB's problem is that it uses accounting theory to explain the world solely in terms of faith and reason and without direct observation of the economic consequences."

INSTRUCTIONS:

1. What is meant by the term "economic consequences" in regards to financial reporting standards? Present your discussion without specific reference to the pension accounting issue.
2. What role should economic consequences play in the development of financial reporting standards?
3. What has been the response of the FASB to the important issue of economic consequences?

1-5 Accounting Standard Setting

Mark Hauser, a new staff accountant, is confused in his first few months on the job because of the complexities involving accounting standard setting. Specifically, he is confused by the number of bodies issuing financial reporting standards of one kind or another and the level of authoritative support that can be attached to these reporting standards. Mark decides that he must review the environment in which accounting standards are set, if he is to increase his understanding of the accounting profession.

Mark recalls that during his accounting education there was a chapter or two in his accounting textbook regarding the environment of financial accounting and the development of accounting standards. However, he remembers that little emphasis was placed on these chapters by his instructor.

INSTRUCTIONS:

1. Help Mark (and yourself) by identifying key organizations involved in accounting standard setting.
2. In what ways is accounting involved in the environment as Mark refers to it? That is, what environmental factors influence accounting and how does accounting influence its environment?
3. Mark asks for guidance regarding authoritative support. Please assist him by defining, explaining, and noting the diversity of GAAP.
4. Give Mark a historical overview as regards to how standard setting has evolved so he will not feel as if he is the first one to be confused.
5. What authority for compliance with GAAP has existed throughout the period of standard setting?

1-6 Models for Setting Accounting Standards

Presented below are three models for setting accounting standards:

1. The purely political approach, where national legislative action decrees accounting standards.
2. The private, professional approach, where financial accounting standards are set and enforced by private professional actions only.
3. The public/private mixed approach, where standards are basically set by private sector bodies that behave as though they were public agencies and whose standards to a great extent are enforced through governmental agencies.

INSTRUCTIONS:

1. Which of these three models best describes standard setting in the United States? Comment on your answer.
2. Why do companies, financial analysts, labor unions, industry trade associations, and others take such an active interest in standard setting?

3. Cite an example of a group other than the FASB that attempts to establish accounting standards. Speculate as to why another group might wish to set its own standards.

1-7 The Role of Research

Recently, much attention has been directed toward the role of research in the accounting standard setting process. Alvin Jennings in a speech that led to formation of the Accounting Principles Board said, "Development of accounting principles should be regarded as in the nature of pure research." An examination of a number of journal articles indicates that there is disagreement with his position.

For example one writer noted, "Although the techniques of accounting research excel in systematic analysis of explicit information, accounting rulemakers must go beyond knowledge obtained from research and consider also knowledge largely intuitive, and of a high logical order amenable to systematic analysis. If the FASB should want no more than a recommendation as regards which course to follow, it would look to the wrong place if it looked to research. It would be better to consult a man of wide experience and demonstrated understanding, and to rely on his intuition."

Another writer notes that the choice among financial reporting alternatives is a political process. He states that "there is a misconception that the critical issues of accounting inquiry are essentially technical when they are actually political." Another author suggests that we have various possibilities available to use to attack the problem from a political angle. One approach is the confrontation mode in which the profession decides to take a firm stand on a given issue regardless of the consequences. A second approach is referred to as the incremental approach, in which the profession attempts to slowly change the financial reporting environment. Finally, there is simple abdication, where the FASB simply permits the public sector to legislate accounting standards.

INSTRUCTIONS:

1. What do you believe to be the roles of research and intuition in the accounting standard setting process? Are the roles complementary or opposing?
2. What do you believe to be the roles of research and politics in the accounting standard setting process? Are the roles complementary or opposing?
3. What type of approach confrontation, incrementation or abdication do you believe the accounting profession presently pursues? What approach do you believe the profession should follow?