

SECOND EDITION

# ACCOUNTING

INFORMATION FOR BUSINESS DECISIONS



CUNNINGHAM  
NIKOLAI  
BAZLEY

S E C O N D E D I T I O N

# ACCOUNTING

## INFORMATION FOR BUSINESS DECISIONS

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**Accounting: Information for Business Decisions, 2e**

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Litten Editing and Production, Inc.

**Printer:**

Quebecor World Versailles  
Versailles, KY

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**Cover Images:**

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1 2 3 4 5 06 05 04 03

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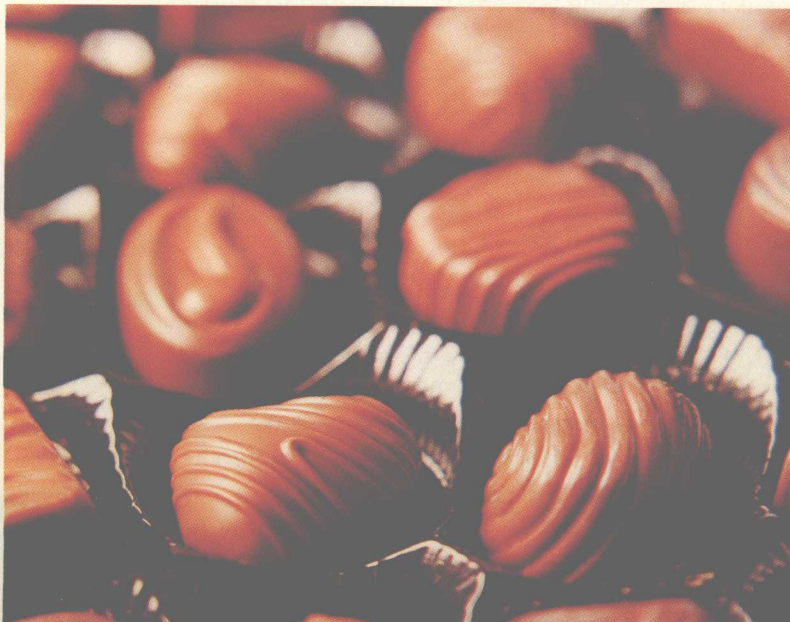
Library of Congress Control Number:  
2002112212

ISBN: 0-324-18599-5

# PREFACE

## **CAUTION:**

*This textbook has a number of themes that revolve around candy, and this preface is no exception. While this book has a lot of the great accounting ingredients you are used to (and all that you will need), it also “breaks the mold” as it incorporates a number of phrases and terms well known to candy lovers (and we believe that includes accountants). Our intent is that you will get a number of cravings while reading this preface, not the least of which is the desire to devour this book and to share its great taste with your colleagues and your students.*





## Two Great Courses that Make One Great Text . . .

You may recall hearing different food or beverage products promoting how natural and good they are for you by using the phrases “No artificial colors. No artificial sweeteners.” Well, we would like to paraphrase those slightly to convey a similar message that is the initial premise as to why this text for the elementary accounting sequence is natural and good for you: “No artificial separation!”

In the real world, today’s students will face an accounting environment where management accounting and financial accounting issues are integrated every day. The traditional—and artificial—separation of these topics in textbooks, however, tends to lead students to a perception that the two areas are unrelated. We also believe that traditional and highly technical “preparer-oriented” accounting textbooks (1) isolate accounting from general business decisions, (2) lose students’ interest, and (3) reinforce a common misconception that accounting is best left only to accountants. Therefore, such a separation misses the big picture of an integrated accounting system that provides economic information to all users—which is what the overwhelming majority of your students in introductory accounting will be. This textbook thoroughly integrates management accounting and financial accounting topics in a way that is more reflective of the world students will face outside of the classroom.

## Sometimes You Feel Like a Debit, Sometimes You Don’t . . .

A major focus of this textbook is on *using* management accounting and financial accounting information in various business settings. Therefore, we wrote this book at a “nontechnical” level for *all* business and nonbusiness students—not just those intending to be accounting majors. But, because two of us are heavily involved in teaching intermediate accounting and write an intermediate accounting textbook, we are also aware of the needs of your accounting majors. So we also discuss *accumulating* and *reporting* accounting information. We take a nonprocedural approach by explaining transactions in terms of the accounting equation (and entries into “account columns”) and *the effect of these transactions on the financial statements* rather than in terms of debits and credits. But, we realize there is a need in many situations to teach procedures. To that end, we have provided a full chapter-length appendix (Appendix A) on recording, storing, summarizing, and reporting accounting information. This appendix covers the accounting cycle, from journal entries (using debits and credits) through the post-closing trial balance. We designed it so that you may use it anywhere you see fit in the process of teaching from this book. We assure you that our accounting majors who have used this elementary accounting text are well-prepared to enter our intermediate accounting classes.

## Ingredients and Nutritional Information (Key Features of this Text)

### *An Introduction to Business Approach*

Chapters 1 and 10 take an “introduction to business” approach to orient students to the business environment—that is, the operations of a company, the different functions of business, managers’ responsibilities, and the types of information, management reports, and financial statements the company’s integrated accounting system provides for use in internal and external decision making. These chapters provide students with a basic understanding of business so they





can more effectively envision the context in which accounting information is collected and used, and the types of decisions users make in this context. This approach allows students to see the “big picture” more clearly.

### **Creative and Critical Thinking**

Chapter 2 is unique for accounting textbooks, and we integrate that uniqueness into the rest of the book. It introduces students to creative and critical thinking and demonstrates how they are used in decision making and problem solving. Our entire book emphasizes the type of analytical thinking that successful accountants and other business people use in a world that is constantly changing and becoming more complex. We believe that as you use analytical thinking in your decision process regarding this textbook, you will not only decide to adopt the book but will also be able to use it in a way that will foster your students' growth.



In keeping with Chapter 2, the remaining chapters introduce students to various aspects of accounting and are designed to help them develop their thinking skills. “STOP” questions throughout the textbook (identified by a “stop light”) ask students to take a break from reading, and to think about an issue and/or consider the outcome of a situation. We also ask them *why* they think what they think. The end-of-chapter (EOC) materials include both structured and unstructured questions and problems that emphasize the use of creative and critical thinking skills by the students. Therefore, some of the questions and problems do not have a “correct” answer. The focus is on the approach or process that students use to solve them. With the increasing complexity of business activities, we think our inclusion of creative and critical thinking materials will better prepare students to understand the substantive issues involved in new or unusual business practices.

### **The Simpler Things**

Earlier, we mentioned a “nontechnical” approach. Although we explain identifying, measuring, recording, and reporting of economic information, we discuss these activities at a basic level (increases and decreases in account balances) and do not include a discussion of debit and credit rules and journal entries in the main body of the text. We do emphasize the double-entry accounting system through the use of the accounting equation ( $\text{Assets} = \text{Liabilities} + \text{Owners' Equity}$ ) and its linkage to the income equation ( $\text{Income} = \text{Revenues} - \text{Expenses}$ ). We use account columns to record transactions, but we explain the increases or decreases in relation to the accounting equation, rather than as debits and credits. At the same time, we also emphasize the effects of the transactions on a company's financial statements and the impact they have on analysis of the company (e.g., its risk, liquidity, financial flexibility, operating capability). We chose this approach to better help students gain an understanding of the logic of the accounting system and its interrelationships, the effects of transactions on a company's financial statements, and the use of accounting information in decision making without getting them “bogged down” in the mechanics of the system. For those wanting to incorporate the mechanics of the system, as we mentioned earlier, we do provide a thorough coverage of debits, credits, and journal entries in Appendix A.





### **Because You've Kept Us Apart for Too Long...**

We also mentioned earlier that this book integrates management accounting and financial accounting topics in a way that is more reflective of the world students will face outside of the classroom. In blending our discussion of management accounting and financial accounting, we address several management accounting topics prior to discussing specific financial accounting topics. In large part, a company must plan its activities before it communicates its plans to external users, and it must operate and evaluate its operations (internal decision making) before it communicates the results of its operations to external users. Therefore, in keeping with the "introduction to business" theme and the logical sequencing of business activities, we discuss accounting for planning first, and then for operating and evaluating (controlling)—discussing management accounting and financial accounting where they logically fit into this framework.



For instance, Chapter 3 covers cost-profit-volume (CVP) analysis for planning purposes. After students have an understanding of cost and revenue relationships, we introduce them to budgeting in Chapter 4. The discussion of the master budget includes projected financial statements, which links the coverage back to the financial statements we mentioned in Chapter 1. Chapter 5 then introduces accounting for the operations of a company. Chapters 6 through 8 describe a company's major financial statements and discuss how external users would use these statements to analyze the company.

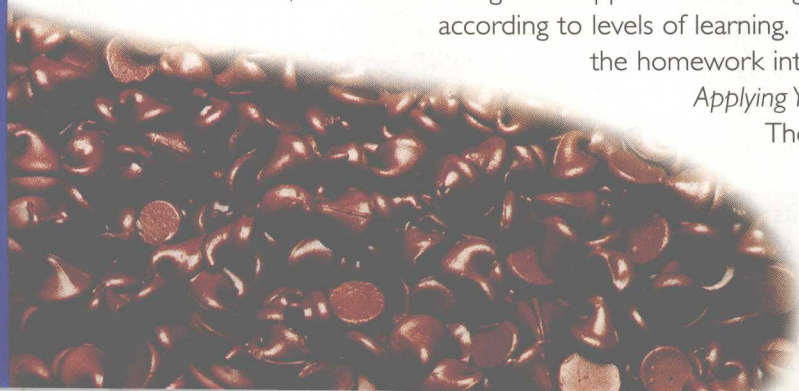
Besides integrating management accounting and financial accounting topics, this book also integrates business issues and values and international issues, where appropriate. This approach reinforces the idea that societal and global issues are not topics that can and should be dealt with separately from the other issues, but rather are an integral and significant part of business in today's world.

### **Plain—and with Peanuts (Building Block Approach)**

This textbook also uses a building-block approach. It begins with starting and operating a small retail candy store—a sole proprietorship—and then progresses through the operations of a more complex company in the form of a candy manufacturer—a corporation. This allows students to learn basic concepts first, and then later to broaden and reinforce those concepts in a more complex setting. Several of the same topics reemerge, but each time they are refined or enhanced by a different company structure, a different type of business, or a different user perspective. For example, because of its location at the beginning of the semester, the Chapter 3 discussion of CVP analysis is simple. We cover it again in greater depth in Chapter 11, after students have a better understanding of costs in a manufacturing setting. Each time we revisit an issue, we discuss the uses of accounting information for both internal and external decision making, as appropriate.

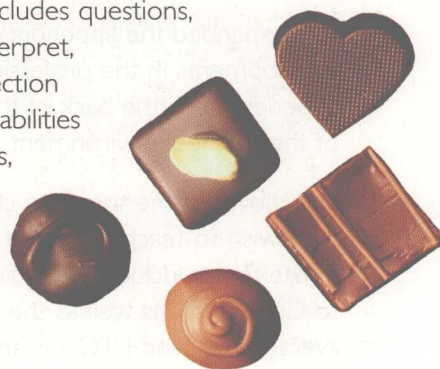
Likewise, we use a building-block approach to arranging the end-of-chapter materials according to levels of learning. To indicate these levels, we have divided the homework into sections on *Testing Your Knowledge*, *Applying Your Knowledge*, and *Making Evaluations*.

These categories are arranged so that the answers to questions require students to use increasingly higher-order thinking skills as they move from one





category of question to the next. The *Testing Your Knowledge* section includes questions that test students' knowledge of specifics—terminology, specific facts, concepts and principles, classifications, and so forth. The *Applying Your Knowledge* section includes questions, problems, and situations that test students' abilities to translate, interpret, extrapolate, and apply their knowledge. The *Making Evaluations* section includes questions, problems, and cases that not only test students' abilities to apply their knowledge but also their abilities to analyze elements, relationships, and principles, to synthesize a variety of information, and to make judgments based on evidence and accounting criteria.



## New and Improved Flavor

In this second edition, as a result of our own use of the book and of feedback from other users, we have made the book even better. These are the major changes and new features of the text.

1. We now illustrate transactions by showing their effect on specific accounts under the accounting equation. This is similar to recording in a computer system and much easier for students to understand. Marginal boxes next to these illustrations detail the effects of the transactions on the components of the affected financial statements.

### FINANCIAL STATEMENT EFFECTS

Decreases *net* property, plant, and equipment, and total assets on **balance sheet**. Increases expenses, which decreases net income on **income statement** (and therefore decreases stockholders' equity on **balance sheet**).

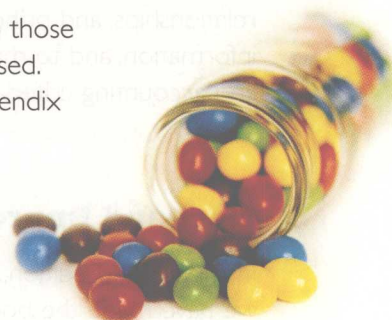
2. We included more topics in Chapter 18 that are oriented to internal users of accounting information, such as the balanced scorecard and economic value added.
3. We added a section on E-business in Chapter 10 and expanded the discussion of enterprise resource planning (ERP) systems. In later chapters, for many topics we refer to how a company's ERP system can be used to gather information for business decisions about these topics.
4. We added spreadsheet applications to selected problems in the end-of-chapter material. These spreadsheet problems give students experience working directly in Microsoft® Excel. The spreadsheet templates are located on the student CD-ROM that accompanies the text. The solutions to the problems can be found on our Web site (<http://www.cunningham.swlearning.com>) in the Instructor's Resource section.





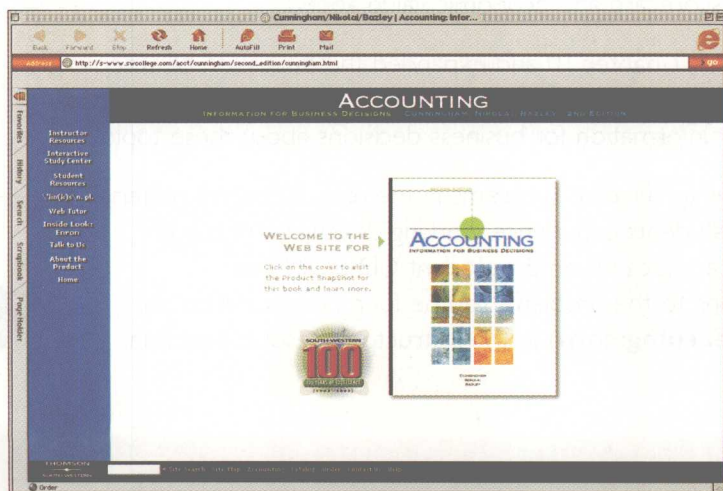
5. We added more homework related to service companies. This reflects the growing service sector in our economy.
6. We expanded the appendix on the Profession of Accountancy by adding a discussion of current developments in the profession as well as the AICPA core competencies. We also moved the appendix from the back of the book to Chapter 1, where it is closer to the introduction of the business environment.
7. We moved some topics to chapter appendices to keep them available to those who wish to teach them, but also to allow the chapters to be more focused. These topics include the indirect method cash flow statement (as an appendix to Chapter 8), as well as the periodic inventory system under FIFO, average cost, and LIFO (as an appendix to Chapter 19).
8. We have updated the discussions of intangibles and reporting the results of discontinued operations to reflect changes in GAAP.

We believe these changes enhance the “flavor” of the book and make its topics even more relevant and understandable to our students.



### **Real-World/World-Wide/Total World:** <http://www.cunningham.swlearning.com>

Life is not a “textbook case.” That’s why we not only integrate management accounting and financial accounting topics, but also include information about real-world companies as examples for many of these topics. And, we include analyses of the financial information of some of these companies in the text and in the homework materials of many chapters. In conjunction with our Web site, the “Summary Surfing” section of each chapter gives students the opportunity to connect to some of these companies via the World Wide Web for further evaluation. The Web site also features links to home pages and Yahoo! Profiles of companies found in the text, as well as a collection of useful accounting links for students and instructors. New to this edition’s Web site is a complete Interactive Study Center that includes extra on-line quizzing, crossword puzzles, the PowerPoint presentation, and more!



Instructors can find all the usual ancillaries available electronically in the Instructor’s Resource section of the Web site, as well as the solutions to the Spreadsheet Application problems.



## Serving Suggestions (How to Use this Text)

*" . . . a well thought out and very well-planned text. The explanations are easy to read and follow. I could teach myself from this book."*

— Rebe Herling, Student

Since we (and others) have used this book in our classes, we thought you might appreciate hearing what we have learned from this experience:

1. **Faculty Preferences:** For years, Hershey's made the Kiss only in plain chocolate. Although they had put almonds in a chocolate bar, they couldn't perfect doing so with a Kiss. Nonetheless, they kept trying, and as you know, succeeded several years ago. It has been a great success since then. You, too, can succeed in integrating the financial and managerial accounting areas for the best taste. For financial accounting faculty, the textbook is so well written (see student quote above) that the management accounting material is not difficult to teach. For management accounting faculty, the book leads with management accounting material and contains fewer financial procedures than traditional ones do, so it is not difficult to teach either. Although change doesn't occur without some effort, we have tried to make this change as easy as possible for both of you by providing a great support package that will help you step into the classroom with minimum effort.
2. **The Transfer Issue:** This book is not an Oreo cookie. It is not designed so that you can split up the parts and eat them separately. Given that most transfer students will check out the receiving school's policies first, we suggest that receiving schools using our book advise transfer students that they should take their entire accounting sequence at one school or the other, but not half and half. To sending schools using our book, we suggest you give your students similar advice. For your course sequence, we suggest that you devote sufficient time to coverage of Appendix A (the accounting cycle, including debits and credits) so that your students who transfer to another school have an adequate foundation in accounting procedures.
3. **Pedagogy:** We designed the pedagogical features of this book with the purpose of guiding the readers through it in a way that will help them learn the material in the book. Opening introductory questions for each chapter highlight the major topics and pique students' interest, as well as guide their reading. In support of these questions, as we mentioned earlier, "STOP" questions throughout each chapter ask students to pause and answer a question related to what they have just read, which primes them for what comes next. Each question encourages reflection, critical thinking, and understanding while students read the chapter and helps them build on their previous experience while learning accounting. The Summary at the end of each chapter briefly answers the opening introductory questions, but it also encourages students to use their creative and critical thinking skills to expand on the key points of the chapter.



Each time we use the accounting equation and account columns in the text to show the effect of a transaction on a company's accounts, we accompany that illustration with a description of the effect of the



transaction on the company's financial statements. A marginal box next to the equation details this effect on the components of each of the financial statements affected by the transaction.

We include the financial section of Colgate-Palmolive's annual report in Appendix B, and we have homework assignments at the ends of many chapters that ask students questions about the financial information in this annual report. In addition, real-world company names are highlighted in hypertext, and their Web addresses are listed nearby in the margin. Students can either use these addresses to directly access the companies' Web sites or look them up on the book's Web site. This feature encourages students to "search out" available information about companies on the Internet and also to see the range of information about companies that is available on the Internet. We have also found that these sites are great resources for making additional assignments and for use in class discussion.

4. **How to Use the End-of-Chapter Materials:** This book is constructed in a "building block" approach, and so is the homework. We suggest you assign it in the same manner: ask students to test their knowledge first, then apply their knowledge, and finally, after building a strong base of understanding, make evaluations. Each chapter has a Dr. Decisive problem that asks students to apply their new knowledge in a situation closer to one they might be currently experiencing, making accounting a little more personal and relevant for them. In a "Dear Abby" format, students are asked to answer a "problem" mailed in by a reader. We have found it to be a fun way for students to work on teams, where the team constructs an answer to the question or evaluates another team's answer to the question.

#### DR. DECISIVE

5. **Snickers®:** ... by chuckling at the joke, the accounting concept it illustrated was planted firmly in my mind." – Lisa Mitchell, Student. The cartoons and photographs in the book are not just for levity. They provide visual enhancements of ideas, as well as humor, and help students apply their knowledge by interpreting cartoons and photos.
6. **Smooth or Crunchy?** Alternative Course: We wrote this book for the elementary accounting sequence, but the very nature of its design has led to its successful use in MBA and Executive MBA/Small Business Programs.





## Taste Tested (or “Show-Me”)

We know there is always a concern about new editions, but you might have noted that two of us teach in Missouri—the “show-me” state. Having a need to “show ourselves” that the book works, we class-tested it at the University of Missouri-Columbia for eight semesters prior to the first edition. We continue to use the book in our elementary course sequence. We used student and instructor feedback (from our institutions and others) to make the book even better. Here is what we found, and it has been confirmed by other class testers:

- Students liked reading this book.
- The writing style is “user friendly” so that the topics are very understandable.
- The end-of-chapter homework ties in well with the topical coverage in the chapters.
- The Solutions Manual is very clean.
- Instructors found the book to be clear and easy to teach from.

Furthermore, to assure ourselves that the homework and solutions were error-free, we wrote and checked all the homework items and solutions ourselves. In addition, all the solutions were accuracy-checked by graduate students and teaching assistants.

## User Feedback

We would love to list all the positive quotes here that we’ve received from students and instructors who have used the book, but our editors say that would add significantly to the page count and thus to the cost of the book (which our marketing manager advises would result in negative comments from the students). So, we’ve listed one of each. This should help prove our point as well as illustrate that we have listened to the input of others in all stages of the development of this text.

*“[Early in the first semester] I’ve had three students already tell me that they are really enjoying reading the text!! Wanted to let you know that I’ve been teaching accounting for 11 years and this is the first time I’ve ever heard any students make that comment. You should be very proud.”*

— Instructor, Winthrop University

*“I enjoyed studying out of the book because it was written in a manner that is clear and easy to understand. The fact that the examples (Sweet Temptations, Unlimited Decadence) were used throughout the text was very helpful.”*

— Nathan Troup, Student





## Ancillary Package

### For Students:

**Study Guide:** A true study aid, this study guide contains a complete chapter outline and review, as well as self-tests, exercises, and problems to give you more practice with what you've learned and to help prepare you for exams.

**Web site:** As described previously, the Web site for this text contains complete student resources, as well as an Interactive Study Center. The Interactive Study Center contains relevant information for the Summary Surfing feature in the text, as well as interactive quizzes, crossword puzzles, and Internet activities for each chapter. The PowerPoint Presentation can be found in the Student Resources section of the Web site. Students can use it to help prepare for class or for notetaking!



### For Instructors:

**Instructor's Manual:** Completely revised for the new edition of the text, the Instructor's Manual contains complete chapter outlines and lecture notes, as well as classroom activities to help all instructors prepare for using this textbook.

**Solutions Manual:** Written and prepared by the authors of the text and completely verified, this comprehensive manual contains answers to all of the end-of-chapter questions, as well as suggestions for presenting some of the more difficult problems in class. The Solutions Manual also contains solutions for the spreadsheet application problems.

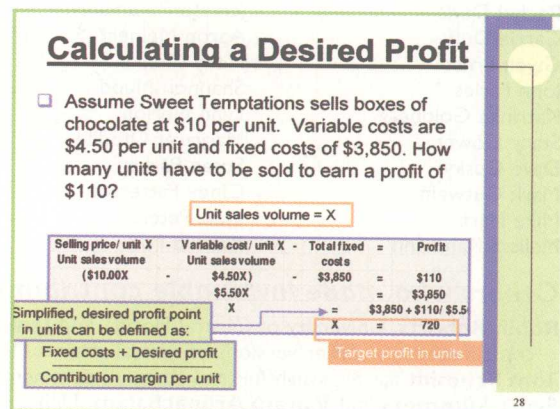
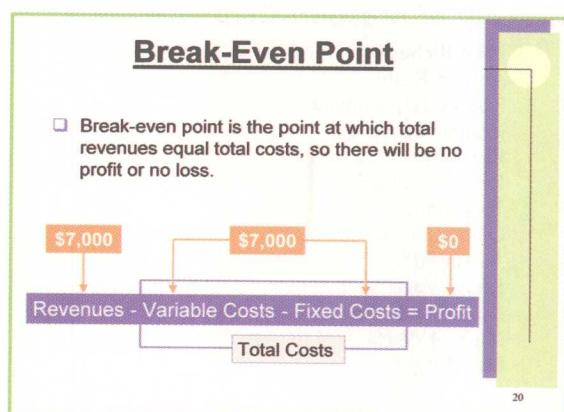
**Test Bank:** Completely revised and updated, the Test Bank contains over 3,000 questions to help you evaluate your students' progress. The Test Bank was written using the language and verbiage from the text so as not to confuse students. The new edition also contains test questions for every learning question in the text. The test questions require students to evaluate accounting information using the tools provided in the text material.



**Examview Testing Software:** An easy to use, Windows-based testing software, Examview contains all of the testing materials included in the printed test bank. With Examview, you can preview and edit test questions as well as add your own questions. You can also create practice tests and tutorials, all of which can be delivered over a network, on the Web, or in printed form.



**PowerPoint Presentation:** An asset to any instructor, the PowerPoint presentation for this text has been completely revised to provide a visually appealing presentation that truly meets the needs of professors. The presentation contains outlines of the chapters, graphics, examples from the text, and extra thought-provoking slides.



**WebTutor™ on WebCT™ or Blackboard®:**

These interactive platform-driven study guides should turn everyone in your class into a front-row student. WebTutor complements this textbook by providing interactive reinforcement that helps students grasp complex concepts. Included are flashcards, quizzes, crossword puzzles, and discussion threads.



**Instructor's Resource CD-ROM (IRCD):** This CD-ROM is a convenient source for all the main instructor ancillaries. The PowerPoint presentation, the Instructor's Manual, the Examview software, the Test Bank, and the Solutions Manual are all available on the CD-ROM.



## Kudos!

THIS BOOK IS A WORK IN PROCESS, AND WE WILL APPRECIATE YOUR FEEDBACK AND SUGGESTIONS FOR IMPROVEMENT AS IT EVOLVES INTO THE THIRD EDITION. BUT IT WOULDN'T HAVE PROGRESSED THIS FAR WITHOUT THE HELP, CREATIVE IDEAS, ENCOURAGEMENT, AND HARD WORK OF NUMEROUS INDIVIDUALS, INCLUDING THE FOLLOWING:

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 Ken Smith  
 Dessie Stafford  
 Tom Stauder  
 Diane Sturek  
 Aaron Thorne  
 Robyn Vogt  
 Kelly Ward  
 Michael Weiss  
 Lisa Wright

### Others who made invaluable contributions along the way:

**Robin Roberts**, University of Central Florida, and **James Stallman**, University of Missouri-Columbia, for significant contributions to earlier versions of several chapters in this book.

**Tom Schmidt** for his insightful (and inciteful) comments on Chapter 2.

**Scott Summers** and **Vairam Arunachalam**, University of Missouri-Columbia for their advice on certain database or computer issues.

**Jennifer Seeser** and **Diane Sturek** for the solutions they developed to the end-of-chapter homework.

**Cassi Costner**, **Herman Eckherle**, **Kelly Gallagher**, **Jason Janisse**, **Heather McWilliams**, and **Emily Reinkemeyer** for their accuracy checks of these solutions.

**Nathan (N8) Troup** for his assistance in the development of certain aspects of the text and ancillaries.

**Dana Cunningham** for her Chapter 8 photograph.

**Bob Hammerschmidt** for his Chapter 8 quote.

**Anita Blanchar** for her meticulous typing of various ancillaries.

**Karen Staggs** for typing parts of the manuscript.

The thousands of students who endured the class testing of previous editions, especially those students who noticed and reported errors, inconsistencies, and typos in previous versions.

### Those who made conscientious efforts toward the production of this book:

**George Werthman**, **Melissa Acuna**, **Rebecca von Gillern** our developmental editor, **Amy Brooks** and **Marcella Combs** our production editors, **Michelle Kunkler** for the attractive new internal design, **Doug Wilke** our manufacturing coordinator, **Mignon Tucker** our marketing manager, and **Malvine Litten**, **Denise Morton**, and **Rachel Morris** from Litten Editing and Production, Inc.

And thank you to all of the Thomson/South-Western sales people for their observations, suggestions, and colossal past and future efforts to make this book known to those who dare to change.

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## **Billie M. Cunningham**

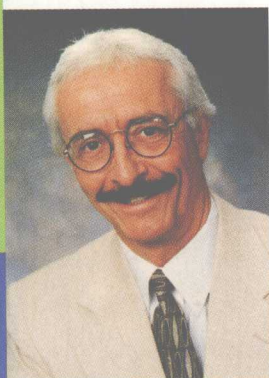
Billie Cunningham is an Adjunct Assistant Professor in the School of Accountancy at the University of Missouri-Columbia (MU). She has a wide variety of teaching experience, having taught graduate and/or undergraduate courses at private universities, public universities, and community colleges. She has received several awards for outstanding teaching, including *Teacher of the Year, 2000* from the Association of Accounting Students, *Faculty Member of the Year, 2000* from the MU College of Business Student Council, an *Outstanding Faculty Award, 1998* from the Greek Councils of the University of Missouri-Columbia, and the *1995 Exemplary Accounting Educator Award* from the Missouri Association of Accounting Educators. Professor Cunningham has taught at Texas Christian University, University of Dallas, Collin County Community College, and the University of North Texas. She received her B.B.A., M.B.A., and Ph.D. from the University of North Texas. Professor Cunningham has conducted numerous workshops around the country on the use of writing exercises in accounting classes and on incorporating creative and critical thinking strategies into the accounting classroom. She was a coauthor of three previous books: *Accounting: Principles and Applications*, Fifth Edition (1986); *Financial Accounting: Principles and Applications*, Fifth Edition (1986); and *Accounting: Basic Principles*, Fifth Edition (1986); and a contributing author on *Cost Accounting: Principles and Applications*, Fourth Edition (1984) (all with McGraw-Hill Publishing Company).



Professor Cunningham has published articles in professional journals, including *Journal of Accounting Education*, *Issues in Accounting Education*, *Accounting Education: A Journal of Theory, Practice and Research*, *The CPA Journal*, *Research in Accounting Regulation*, *Management Accounting*, *Essays in Economic and Business History*, *The Community/Junior College Quarterly of Research and Practice Special Edition on College Teaching and Learning*, and *The Community/Junior College Quarterly of Research and Practice*. She received the *Outstanding Article Award* from the Two-Year College Section of the American Accounting Association. In addition, she serves on the Editorial Review Board of *Issues in Accounting Education* and has served as an ad hoc reviewer for *Advances in Accounting Education* and *Journal of Accounting Education*. Professor Cunningham is the faculty advisor for the Association of Accounting Students at MU. She is a member of the American Accounting Association (AAA) and was Chair of the Two-Year College Section and Chair of the Teaching and Curriculum Section. She served on the AAA Accounting Education Advisory Committee and as Vice-President and member of the Executive Committee of the AAA. Professor Cunningham has chaired or served on numerous Federation of Schools of Accountancy committees. She is currently the Chair of the AICPA Core Competency Framework Best Practices Task Force and serves on the AICPA Pre-certification Education Executive Committee. In fits of joy, Professor Cunningham sings in her car, dances in her living room, and is an aerobics enthusiast and avid golfer (and we use that term loosely).







### **Loren A. Nikolai**

Loren Nikolai is the Ernst & Young Professor and the Director of the Masters Programs in the School of Accountancy at the University of Missouri-Columbia (MU) where he has taught for over 25 years. He received his B.A. and M.B.A. from St. Cloud State University and his Ph.D. from the University of Minnesota. Professor Nikolai has taught at the University of Wisconsin at Platteville and at the University of North Carolina at Chapel Hill. Professor Nikolai has received the University of Missouri system-wide 1999 *Presidential Award for Outstanding Teaching*, the MU College of Business and Public Administration 1999 *Teacher of the Year Award*, the MU Alumni Association 1996 *Faculty Award*, the MU College of Business and Public Administration 1994 *Accounting Professor of the Year Award*, the Missouri Society of CPAs 1993 *Outstanding Accounting Educator of the Year Award*, the MU 1992 *Kemper Fellowship for Teaching Excellence*, the St. Cloud State University 1990 *Distinguished Alumni Award*, and the Federation of Schools of Accountancy 1989 *Faculty Award of Merit*, and was the co-recipient of the 1997 *Holstein Creativity Award*. He holds a CPA certificate in the state of Missouri and previously worked for the 3M Company. Professor Nikolai is the lead author of *Intermediate Accounting*, Ninth Edition (2003, South-Western Publishing Company). He was the lead author of two previous textbooks, *Principles of Accounting*, Third Edition (1990) and *Financial Accounting*, Third Edition (1990, PWS-Kent Publishing Company), and was the coauthor of *Financial Accounting: Concepts and Uses*, Third Edition (1995, South-Western Publishing Company).

Professor Nikolai has published numerous articles in *The Accounting Review*, *Journal of Accounting Research*, *The Accounting Educator's Journal*, *Journal of Accounting Education*, *The CPA Journal*, *Management Accounting*, *Policy Analysis*, *Academy of Management Journal*, *Journal of Business Research*, and other professional journals. He was also lead author of a monograph published by the National Association of Accountants. Professor Nikolai has served as an ad hoc reviewer for *The Accounting Review* and *Issues in Accounting Education*. He has made numerous presentations around the country on curricular and pedagogical issues in accounting education. Professor Nikolai was the Faculty Vice-President of the Beta Alpha Psi chapter at MU for 18 years. He is a member of the American Accounting Association, the American Institute of Certified Public Accountants (AICPA), and the Missouri Society of CPAs (MSCPA). He has served on the AICPA's Accounting and Auditing Practice Analysis Task Force Panel and the Accounting Careers Subcommittee; he has also served on the MSCPA's Relations with Educators, Accounting Careers, and Accounting and Auditing Committees. Professor Nikolai has chaired or served on numerous Federation of Schools of Accountancy (FSA) and American Accounting Association (AAA) committees, was AAA Director of Education for 1985–1987, and was President of the FSA for 1994. Professor Nikolai is married and has two adult children and three grandsons. His family has three cats, and he is an avid basketball player and weight lifter.

