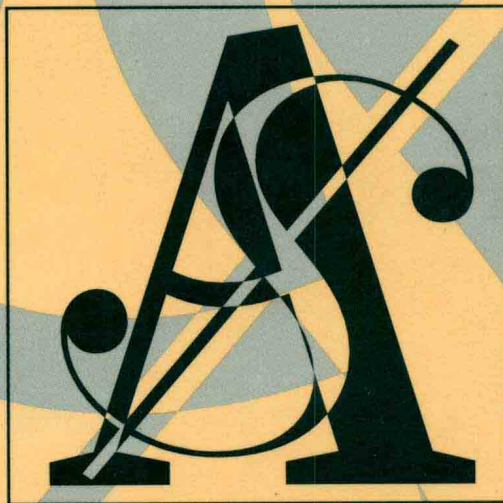


Third Edition

A d v a n c e d **A c c o u n t i n g**



Engler · Bernstein · Lambert

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Phyllis, Cynthia,
and Camellia

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PREFACE

Authors of an advanced accounting text written for the late 1990s face a number of significant challenges. First, the considerable complexity of the subject matter makes learning very difficult for many students. Second, the subject matter to be covered is growing at a rapid rate. As a result, traditional as well as new topics vie for inclusion in an advanced accounting course, often the final course of the accounting sequence. Third, it is vital that the pedagogy of the text should include an optimal blend of theory and practice.

To meet the first challenge, we have followed a step-by-step approach in each chapter that explains the underlying theory as well as the why and the how of the subject matter. There are also many examples and detailed illustrations to help the student understand the topics presented. To provide students with a meaningful learning experience, the text is organized as follows:

1. A list of learning objectives at the beginning of each chapter indicates to the students what they can expect to learn.
2. A topic is introduced by defining the key terms associated with it. All key terms in the chapter are printed in boldface type.
3. Each topic is first presented in its simplest aspects and then developed through a building-block approach. Where necessary, the steps needed to prepare usable information are listed and discussed prior to the preparation of that information.
4. The main topics are reviewed in a comprehensive summary at the end of each chapter. Most of the key terms used in the chapter are discussed in the summary.
5. All key terms are defined in a glossary at the end of each chapter. The glossary definitions are similar to those found in the chapter.
6. A review problem with its solution follows the glossary in nearly every chapter.

7. A self-test follows the review problem; its solution appears at the end of the chapter.

8. Difficult and specialized topics are placed in appendixes at the end of chapters to give instructors a choice in selecting topical coverage. Where alternative methods of accounting treatments are permitted by generally accepted accounting principles (GAAP) and are used in practice, the more widely accepted method is used throughout the chapters. Where appropriate, alternative methods, using the same illustrative data, are covered in appendixes to the chapters.

9. A rich variety of material ranging from simple to challenging is included in the end-of-chapter exercises and problems. Many of these problems were specifically designed to accompany the text coverage, while others were carefully selected from professional examinations and are identified as AICPA Adapted. For most chapters, analytical cases have now been added to the end-of-chapter materials.

We have met the second challenge by including not only the traditional subjects associated with the advanced accounting area, but also by including newer areas such as the influence of the SEC on financial reporting standards, ethics and professional conduct for accountants, and accounting for a wider variety of nonbusiness organizations. The watchword here is *flexibility*. The selection of topics and their organization provide instructors with the utmost leeway in teaching an advanced accounting course consisting of subject matter configurations best suited to their students' objectives.

We believe that we have met the third challenge of providing a good blend of theory and practice by explaining the concepts behind the procedures as well as providing a variety of viewpoints, while always clearly identifying the generally accepted accounting standards in current use. To heighten student interest, the text is illustrated with an assortment of examples from published financial statements.

Updated Topical Coverage and Organization

Every effort was made to render this text as up-to-date as possible. All chapters incorporate the latest professional pronouncements.

Chapter 1 contains a discussion on SEC accounting, previously covered in Chapter 22, accounting theory applicable to intercorporate investments, and ethics for accountants. The next nine chapters contain a comprehensive discussion of business combinations and consolidated statements. The current trend in accounting for investments by parent companies is to use what we call the *complete equity method*. This method of accounting for investments in subsidiaries gives the reader a preview of all of the adjusting entries that will be required in the preparation of consolidated working papers. Accordingly, we use this method for all illustrations contained in the consolidation chapters. However, the cost and incomplete equity methods, formerly separate appendixes in Chapters 4 and 5, are presented in Chapter 10, giving students a comprehensive picture of available options.

To round out the coverage of business combinations, separate appendixes are provided for the tax aspects of business combinations; trial balance consolidation working papers; accounting for joint ventures; and income tax considerations for consolidated financial statements. These may be covered as they fit into the course syllabus.

We have followed the text material on business combinations and consolidated financial statements with a variety of topics that may be used by the instructor in any sequence that is desired. In addition to the cost and incomplete equity methods, Chapter 10, "Branch Accounting and Alternatives to the Equity Method," covers branch accounting.

Both Chapter 11, "Accounting for Foreign Transactions," (formerly Chapter 10) and Chapter 12, "Accounting for Foreign Currency Translation," (formerly Chapter 11) have undergone considerable revision and strengthening. We have expanded coverage of accounting practices in foreign countries and moved it from Chapter 10 to the new Chapter 12. We have also combined the former Chapters 12 and 13, dealing with segment reporting and interim reporting respectively, into the new Chapter 13.

The chapters on accounting for state and local governments as well as other not-for-profit organizations reflect the latest pronouncements by the Financial Accounting Standards Board, the Governmental Accounting Standards Board, and the American Institute of Certified Public Accountants. In the explanations of accounting for governmental entities, we have used the full accrual method of accounting as mandated by *GASB Statement No. 11*. However, because the effective date for requiring full accrual has been delayed, we also cover modified accrual in those instances where there would be a difference in reporting.

New Features in the Third Edition

To enhance the students' retention of the chapter material and to increase their analytical abilities, we have added some new pedagogical elements in this edition:

1. Review problems and solutions in nearly all chapters. These summarize the important issues in the chapter and show the students how to approach their solution.
2. Self-tests and solutions in all chapters. These indicate for the students the areas in which they have mastered the subject matter and the areas in which they need more study.
3. Reading assignments in all chapters. These suggested readings give students the opportunity to gain a more in-depth knowledge in areas of special interest to them. They also provide the instructor with material on which to base additional assignments.
4. Analytical cases appropriate to the topic covered in a chapter in most chapters. These require the students to use critical thinking and effective written communication skills. Many of the cases involve ethics judgments.

Supplements

For the Instructors

1. **Solutions Manual** contains detailed answers to all the exercises, problems, and cases in the book.
2. **Overhead Transparencies** provide instructors with a visual representation of assorted topical solutions.

3. **Test Bank**, provided by Stephen Elliott of Murray State University, has approximately 1,800 items arranged in three levels of difficulty. The first level comprises objective-type questions; the second level is based on examples in the text; and the third level consists of the more difficult problems areas. The test bank is also available to adopters in a computerized version.

4. **SPATS (Spreadsheet Applications Template Software)** includes Lotus 1-2-3 templates for approximately 50 problems in selected chapters throughout the text.

For the Student

1. **Study Guide**, an integral part of the teaching package, is designed to help students move above the level of the average student in the course. For each chapter, it includes a study outline and questions/problems that help the students synthesize the various topics taught in the chapter.

2. **Working Papers**, partially completed, are available for the problems appearing in the nine consolidation chapters, Chapter 12, "Accounting for Foreign Currency Translation," and Chapter 17, "Partnerships—Liquidation and Dissolution."

3. **Check Figures** are available for instructors and students.

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We sincerely solicit comments and suggestions for improving this text from users and others.

Calvin Engler

Leopold A. Bernstein

Kenneth R. Lambert

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