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FINANCIAL ACCOUNTING & REPORTING

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FINANCIAL ACCOUNTING & REPORTING

SECOND EDITION

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Dedication

To Don Chamberlain, Terry Holmes, Tim Todd, and Glynn Mangold, who blazed the trail for us to Kentucky.

— LMS and KTS

To Ryan Deer, who makes it possible for me to accomplish so much more professionally and personally, including our contributions to this book.

— SKD

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Acknowledgments

We express our sincere gratitude to the many instructors and students who provided suggestions to make this textbook more engaging, understandable, and practical to those who study financial accounting and reporting. Our goal is to continue to make improvements with future editions. In this regard, we welcome and appreciate any comments, criticisms, or suggestions you may have about the book.

— L. Murphy Smith, Katherine Taken Smith, and Shannon Knight Deer

Preface

LOADED WITH OUTSTANDING FEATURES

Financial Accounting and Reporting covers the fundamentals of financial accounting that are essential to preparers and users of accounting information. Topics include basic accounting principles, accounting transaction processing, financial statements, assets, liabilities, accounting for the corporation, financial statement analysis, ethics, and internal control. Students will learn how to use accounting information to answer key questions about a company's financial situation and prospects. In addition, the book addresses contemporary accounting issues related to ethics, international financial reporting, information technology, and global commerce. This book benefits from numerous helpful comments and suggestions contributed by highly experienced instructors who reviewed the book and from students who used the book in the classroom.

The textbook is especially designed to present financial accounting in a one-sequence course in two-year or four-year colleges. The book can also be effectively used in a graduate-level financial accounting course for MBA students who are from non-business major backgrounds.

CROSS-FUNCTIONAL APPROACH

While presenting the fundamentals of financial accounting and reporting, a cross-functional approach is used to demonstrate the relevance of accounting information to the various business functional areas (e.g., marketing, finance, and production). This approach motivates learning by making the subject matter relevant to all majors. Accounting majors will appreciate how accounting information contributes to the success of the firm and the decision-making of every member of the management team. Non-accounting majors will understand how they will use accounting information in their future jobs. Cross-functional applications are interwoven into the presentation of accounting fundamentals in each chapter. In addition, the book engages students regarding contemporary issues such as ethics, international financial reporting, information technology, and global commerce. The book features a chapter, as well as observations throughout the book, on International Financial Reporting Standards (IFRS) and how they differ from U.S. generally accepted accounting principles (GAAP).

FOCUS ON BUSINESS

To complement the cross-functional aspects of the book, each chapter focuses on general business issues. Each chapter opens with a "Focus on Business" box that applies the chapter's topics to a real company. The box is designed to pique the student's interest and preview what will be learned in the chapter. For example, Chapter 1's Focus on Business brings up the debate for taste preference between Pepsi and Coca-Cola and uses that as a segue to explain how an investor would use financial reports to choose a company in which to invest.

A small company is created and used throughout the book to illustrate accounting transactions. Seeing a company start from scratch and apply financial accounting in the process enables students to connect better with accounting concepts.

While the focus throughout the book is on the accounting impact of business decisions, this book also teaches students about general business principles. This is critical, as accounting is often the first business course that students take. For example, the book helps students understand why a company would sell goods on credit, rather than solely teaching them how to calculate the accounts receivable balance.

OTHER SPECIAL FEATURES

- **Student-Friendly:** Chapters are organized in an easy-to-follow manner and contain features to create an interest in accounting. The colloquial writing style is appealing to students and easy to read.
- **Teacher-Friendly:** Detailed PowerPoint slides facilitate a smooth and structured flow of concepts in teaching. A variety of homework assignments is provided along with a test bank. An 'A' and 'B' set of assignments are provided for use in alternating semesters.

- **Real-World Examples:** Throughout the text, well-known companies are used as examples to clarify and reinforce accounting concepts. Interesting and relevant company information is presented to engage the student.
- **Application:** Each major section within a chapter ends with a thought question that encourages students to apply a chapter topic to their real-life situation.
- **Ethics:** In addition to Chapter 5 that focuses on ethics and internal control, ethics issues are incorporated into the book when ethical dilemmas arise in connection to the chapter content.
- **Global Commerce:** Modern business is international in scope. Thanks to the Web and e-business, all firms compete in a global marketplace. This concept is interwoven throughout the book where applicable.
- **International Accounting:** Differences between U.S. generally accepted accounting principles (GAAP) and International Financial Reporting Principles (IFRS) are described in the book's final chapter. In addition, IFRS are mentioned, where appropriate, in other chapters of the book.
- **Information Technology:** Except for Chapter 1, each chapter includes a boxed-insert explaining an Excel function that relates to the chapter. Students will recognize the efficiency of Excel in preparing financial analyses. Optional Excel assignments are provided at the end of each chapter. In addition to Excel, other technology issues will be presented, such as use of Web resources, computer security, and e-commerce.
- **Website:** A website (<http://www.ccbgroup.com/resources>) contains optional student working paper files.
- **Tying It All Together:** Each chapter's opening box, entitled "Focus on Business," contains an accounting question or problem that will be answered in that chapter. At the end of the chapter is a section entitled "Concluding Remarks" that refers back to the initial question and the student's new knowledge pertaining to it. This section also links chapter material with upcoming information in the next chapter in order to give the student an understanding of how the information ties together.

END OF CHAPTER MATERIAL

Each chapter typically includes:

- 16-26 discussion questions
- 12-28 short exercises designed to build accounting skills*
- 12-24 problems designed to apply accounting knowledge*
- 3-6 cross-functional discussion questions and one cross-functional case designed for individual or team projects
- 5-10 Excel assignments
- 3-8 Web assignments
- Test Prepper containing 10 true/false questions and 10 multiple-choice questions.

Additional Advanced Problems are included for most chapters.

- * The exercises and problems are separated into Sets A and B so that the sets can be assigned in alternating semesters.

ANCILLARY MATERIALS

Solutions Manual, Test Bank, PowerPoint Slides, and Test Prepper Answers are provided for instructors at a password-protected URL. A separate website (<http://www.ccbgroup.com/resources>) includes the optional student working papers and supplementary information, such as current news events, example Excel files, and other helpful information.

WEBASSIGN ONLINE HOMEWORK SYSTEM

Test Prepper questions and selected end-of-chapter assignments can be assigned to students via WebAssign's online homework system.

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