

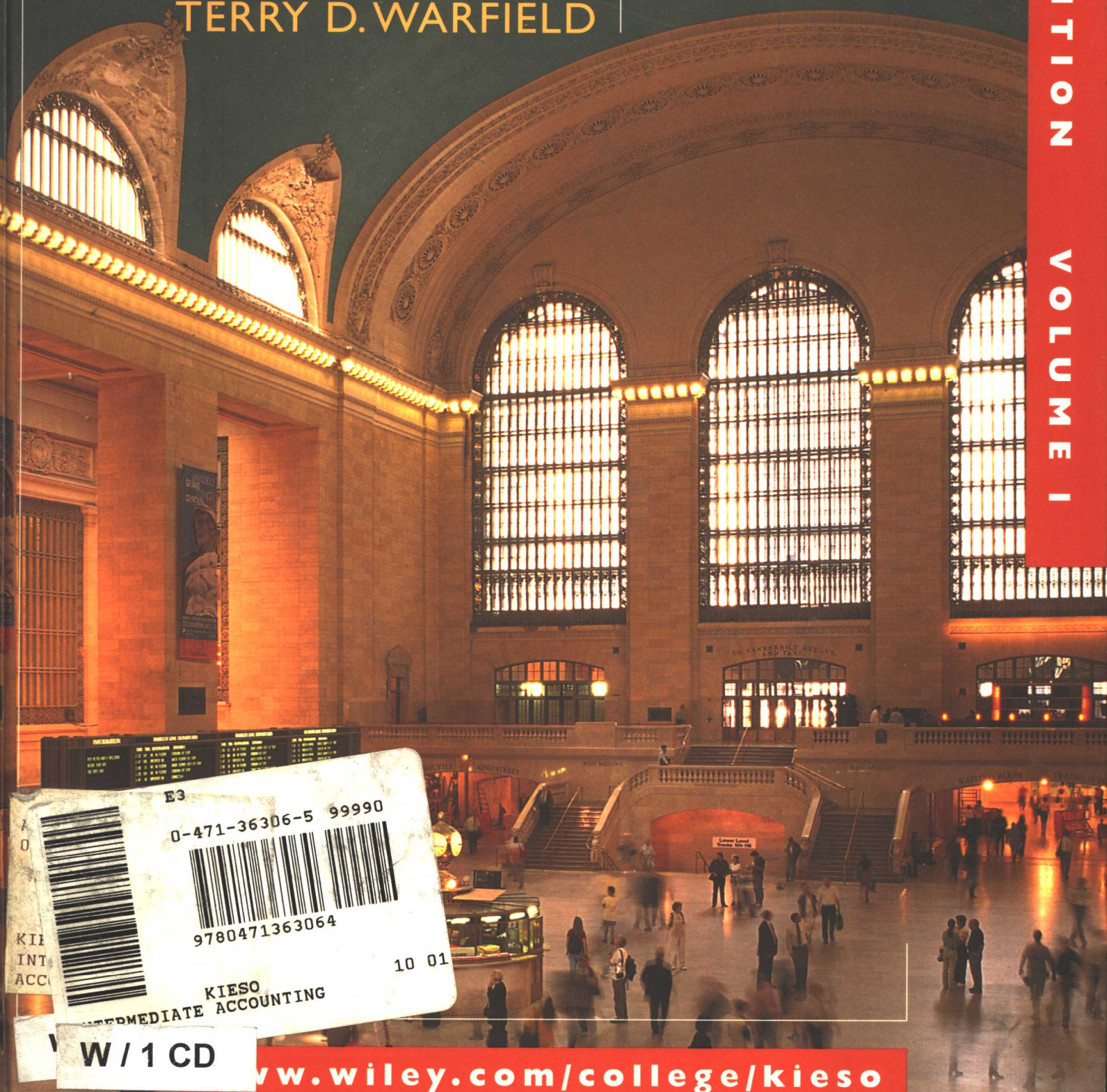
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Accounting

DONALD E. KIESO
JERRY J. WEYGANDT
TERRY D. WARFIELD

TENTH EDITION
VOLUME I



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INTERMEDIATE ACCOUNTING

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TENTH EDITION

INTERMEDIATE ACCOUNTING

Volume 1

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INTRODUCING: THE DIGITAL TOOL

A Digital Tool. Why?

The professional role of accountants is changing. Advances in technology have relegated the mechanical aspects of accounting to the computer. The “new accountants” are concerned about the implications of these numbers. What do they actually mean and what are their effects on the decision-making process, both from a company and individual investor perspective? To address this issue, the Tenth Edition of INTERMEDIATE ACCOUNTING features a new Digital Tool that develops the financial analysis and reporting skills students need for the new roles they will play in the workforce.

What Is It?

The DIGITAL TOOL is an electronic gateway, either through the CD-ROM or the Internet, to a comprehensive set of materials that uniquely prepares students to enter the profession as communicators, consultants, and decision-makers. It is comprised of three main components: Analyst’s Toolkit, Professional Toolkit, and Student Helper Toolkit.

Contents of the Digital Tool

1. The Analyst’s Toolkit
 - A Financial Statement Analysis primer that provides the theoretical background students need to develop skills
 - An annual report database of more than 30 real companies where students can develop their financial analysis and reporting skills
 - Company Web links with industry codes
 - Pre-formatted Excel worksheets for performing ratio analysis
 - Spreadsheet Tools (present value templates)
 - Additional Web links
 - Assignment material
2. The Professional Toolkit
 - Accountant’s Writing Handbook that helps students effectively communicate results
 - Group activity model for instructors and students
 - Expanded discussion of ethics
 - Career and professional spotlights including salary information, a résumé builder, and related Web links
3. Student Helper Toolkit
 - 15 Web-based self-study questions for each chapter
 - Expanded discussion of International Accounting
 - Additional topics of interest and illustrations not covered in text

Checklist of key figures

PowerPoint slides for study and review for each chapter

Learning Styles Survey

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*D*edicated to our wives,
Donna, Enid, and Mary,
and to our children,
Douglas and Debra,
Matt, Erin, and Lia,
Andrew, Lauren, and Katie,
for their
Love, Support, and Encouragement

About the Authors

Donald E. Kieso, Ph.D., C.P.A., received his bachelor's degree from Aurora University and his doctorate in accounting from the University of Illinois. He has served as chairman of the Department of Accountancy and is currently the KPMG Peat Marwick Emeritus Professor of Accountancy at Northern Illinois University. He has public accounting experience with Price Waterhouse & Co. (San Francisco and Chicago) and Arthur Andersen & Co. (Chicago) and research experience with the Research Division of the American Institute of Certified Public Accountants (New York). He has done postdoctorate work as a Visiting Scholar at the University of California at Berkeley and is a recipient of NIU's Teaching Excellence Award and four Golden Apple Teaching Awards. Professor Kieso is the author of other accounting and business books and is a member of the American Accounting Association, the American Institute of Certified Public Accountants, and the Illinois CPA Society. He has served as a member of the Board of Directors of the Illinois CPA Society, the AACSB's Accounting Accreditation Committees, the State of Illinois Comptroller's Commission, as Secretary-Treasurer of the Federation of Schools of Accountancy, and as Secretary-Treasurer of the American Accounting Association. Professor Kieso is currently serving as Chairman of the Board of Trustees and Executive Committee of Aurora University, as a member of the Boards of Directors of Castle BancGroup Inc. and the Sandwich State Bank, and as Treasurer and Director of Valley West Community Hospital. From 1989 to 1993 he served as a charter member of the national Accounting Education Change Commission. In 1988 he received the Outstanding Accounting Educator Award from the Illinois CPA Society, in 1992 he received the FSA's Joseph A. Silvos Award of Merit and the NIU Foundation's Humanitarian Award for Service to Higher Education, and in 1995 he received a Distinguished Service Award from the Illinois CPA Society.

Jerry J. Weygandt, Ph.D., C.P.A., is Arthur Andersen Alumni Professor of Accounting at the University of Wisconsin—Madison. He holds a Ph.D. in accounting from the University of Illinois. Articles by Professor Weygandt have appeared in the *Accounting Review*, *Journal of Accounting Research*, *Accounting Horizons*, *Journal of Accountancy*, and other academic and professional journals. These articles have examined such financial reporting issues as accounting for price-level adjustments, pensions, convertible securities, stock option contracts, and interim reports. Professor Weygandt is author of other accounting and financial reporting books and is a member of the American Accounting Association, the American Institute of Certified Public Accountants, and the Wisconsin Society of Certified Public Accountants. He has served on numerous committees of the American Accounting Association and as a member of the editorial board of the *Accounting Review*; he also has served as President and Secretary-Treasurer of the American Accounting Association. In addition, he has been actively involved with the American Institute of Certified Public Accountants and has been a member of the Accounting Standards Executive Committee (AcSEC) of that organization. He has served on the FASB task force that examined the reporting issues related to "accounting for income taxes" and is presently a trustee of the Financial Accounting Foundation. Professor Weygandt has received the Chancellor's Award for Excellence in Teaching and the Beta Gamma Sigma Dean's Teaching Award. He is on the board of directors of M & I Bank of Southern Wisconsin and the Dean Foundation. Recently he received the Wisconsin Institute of CPA's Outstanding Educator's Award and the Lifetime Achievement Award.

Terry D. Warfield, Ph.D., is PricewaterhouseCoopers Research Scholar at the University of Wisconsin—Madison. He received a B.S. and M.B.A. from Indiana University and a Ph.D. in accounting from the University of Iowa. Professor Warfield's area of expertise is financial reporting, and prior to his academic career, he worked for five years in the banking industry. He served as the Academic Accounting Fellow in the Office of the Chief Accountant at the U.S. Securities and Exchange Commission in Washington, D.C., from 1995–1996. While on the staff, he worked on projects related to financial instruments and financial institutions, and he helped coordinate a symposium on intangible asset financial reporting. Professor Warfield's primary research interests concern financial accounting standards and disclosure policies. He has published scholarly articles in *The Accounting Review*, *Journal of Accounting and Economics*, *Research in Accounting Regulation*, and *Accounting Horizons*, and he has served on the editorial boards of *The Accounting Review* and *Accounting Horizons*. He has served on the Financial Accounting Standards Committee of the American Accounting Association (past Chair 1995–1996) and on the Association Council, the Nominations Committee, and the AAA-FASB Research Conference Committee. Professor Warfield has taught accounting courses at the introductory, intermediate, and graduate levels. He has received teaching awards at both the University of Iowa and the University of Wisconsin, and he was named to the Teaching Academy at the University of Wisconsin in 1995. Professor Warfield has developed and published several case studies based on his research for use in accounting classes. These cases have been selected for the AICPA Professor-Practitioner Case Development Program, and a case on hybrid securities has been published in *Issues in Accounting Education*. Professor Warfield also has developed materials on cooperative learning in accounting that have been presented at teaching workshops at the University of Wisconsin and included in instructor materials for accounting textbooks.

Preface

This edition of *Intermediate Accounting* represents an important milestone in the evolution of this textbook—the tenth edition of a text that has been a “Gateway to the Profession” for over a million students who have used its prior editions. As with the prior editions, in planning this edition we conducted extensive market research, including instructor focus groups, student focus groups, direct mail and electronic mail surveys, and one-on-one discussions with practitioners to help us focus on how the text should evolve into the next millennium.

Two themes emerged from this research. These themes confirmed development decisions made in recent editions of *Intermediate Accounting* and suggested ways that we could further enhance the usefulness of the text to students and instructors. The first theme is the continuing rapid pace of information technology and, in particular, the growth of the Internet. This continuing trend confirmed our decision to feature Intel for the specimen financial statements in the ninth edition and to continue their use in the tenth edition. Similar to *Intermediate Accounting*, Intel continues to lead its industry—one characterized by rapid-fire change and increasing diversified needs. Further support for this information technology trend is reflected in the introduction in this edition of the *Gateway to the Profession* Digital Tool.

The Digital Tool is an electronic gateway, either via the Internet or CD-ROM, to a comprehensive set of materials that supplement the already comprehensive coverage of accounting topics in the textbook. Included are “professional tools” related to written communication, working in groups, and ethics. A financial analyst’s toolkit contains a comprehensive primer on financial statement analysis and a collection of over 30 real-company financial statements that students can access for financial statement and other research. Also included are expanded discussions and illustrations for topics such as international accounting and the accounting for securitizations, and additional real-company disclosures for topics introduced in the text. We believe the *Gateway to the Profession* Digital Tool will be an invaluable resource to students that will help them get the most out of their *Intermediate Accounting* investment.

The second theme that emerged from our research is the continuing evolution of the accounting profession and accounting education away from knowledge of accounting facts to the development of skills in how to *use* accounting facts and procedures in various business contexts. This trend is reflected in the recent framework introduced by the AICPA that recommends a skilled-based as opposed to a fact-based accounting curriculum and confirms the recommendations of the Accounting Education Change Commission. Accountants must act as well as think, and we believe that it is important for students to understand the how as well as the why of accounting. The content and focus of many of the elements of the *Gateway to the Profession* Digital Tool (writing, working in teams, analyst’s toolkit) respond to this trend by providing an expanded set of materials that can be used to extend and apply the concepts and methods introduced within the text.

We continue to strive for a balanced discussion of conceptual and procedural presentation so that these elements are mutually reinforcing. In addition, discussions focus on explaining the rationale behind business transactions before addressing the accounting and reporting for those transactions. As in prior editions, we have thoroughly revised and updated the text to include all the latest developments in the accounting profession and practice. Benefiting from the comments and recommendations of adopters of the ninth edition, we have made significant revisions. Explanations have been expanded where necessary; complicated discussions and illustrations have been simplified; realism has been integrated to heighten interest and relevancy; and new topics and coverage have been added to maintain currency. We have deleted some ninth

edition coverage from the text. To provide the instructor with no loss in material coverage and flexibility in use, discussions of less commonly used methods, more complex, or specialized topics have been moved to the Digital Tool.

NEW FEATURES

Based on extensive reviews, focus groups, and interactions with other intermediate accounting instructors and students, we have developed a number of new pedagogical features and content changes designed both to help students learn more effectively and to answer the changing needs of the course.

Digital Tool



As mentioned above, a major new resource developed for this edition is the *Gateway to the Profession* Digital Tool. The Digital Tool is an electronic gateway, either via the Internet or CD-ROM, to a comprehensive set of materials that supplement the already comprehensive coverage of accounting topics in the textbook. When the Digital Tool icon (shown in the margin) appears in the textbook, the student is directed to expanded materials as described below. Major elements of the Digital Tool are:

Analyst's Toolkit

The Analyst's Toolkit contains the following items.

Database of Real Companies. Over 20 annual reports of well-known companies, including several international companies, are provided on the Digital Tool. These annual reports can be used in a variety of ways. For example, they can be used as illustrations of different presentations of financial information or for comparing note disclosures across companies. In addition, these reports can be used to analyze a company's financial condition and compare its prospects with other companies in the same industry. Assignment material provides some examples of different types of analysis that can be performed.

Company Web Links. Each of the companies in the database of real companies is identified by a Web address to facilitate the gathering of additional information, if desired.

Preformatted Excel Worksheets. Worksheets formatted in Excel are available for some assignments on the Digital Tool. For example, students may be asked to compute key ratios for a certain company (with a digital calculator provided), and to compare the computed ratios against those of another company. The other company's ratios are provided on a worksheet to expedite the analysis phase of the assignment.

Additional Enrichment Material. A chapter on Financial Statement Analysis is provided, with related assignment material. This chapter can also be used with the database of annual reports of real companies.

Spreadsheet Tools. Present value templates are provided which can be used to solve time value of money problems.

Additional Internet Links. A number of useful links related to financial analysis are provided to expand expertise in this area.

Professional Toolkit

Consistent with expanding beyond technical accounting knowledge, the *Gateway to the Profession* Digital Tool emphasizes certain skills necessary to become a successful accountant and financial manager.

Writing Materials. A primer on professional communications is provided that will give students a framework for writing professional materials. This primer discusses issues such as the top ten writing problems, strategies for prewriting, how to do revisions,

and tips on clarity. This primer has been class tested and is effective in helping students enhance their writing skills.

Group Work Materials. Recent evaluation of accounting education has identified the need to develop more skills in group problem solving. The Digital Tool provides a second primer dealing with the role that groups play in organizations. Information on what makes a successful group, and how students can participate effectively in the group, is included.

Ethics. Expanded materials on the role of ethics in the profession are part of the Digital Tool, including references to:

- Speeches and articles on ethics in accounting.
- Codes of ethics for major professional bodies.
- Examples and additional case studies on ethics.

Career Professional Spotlights. Every student should have a good understanding of the profession that he or she is entering. Various vignettes in the Digital Tool indicate the types of work that accountants do. These vignettes are interviews with professional accountants, some well known and some only a few years out of college. Some of these interviews are included in the book but are also included, along with others that are not in the book, on the Digital Tool.

Other aspects of the spotlight on careers are also included. As part of the *Gateway to the Profession* Digital Tool, the following information is provided to help students make successful career choices:

- Salary information by region of the country.
- A résumé builder, to help students prepare a professional-looking résumé.
- Professional Web-links—important links to Web sites that can provide useful career information.

Student Helper Toolkit

Expanded Discussions and Illustrations. This section provides additional topics that are not covered in depth in the textbook. The *Gateway to the Profession* Digital Tool gives the flexibility to discuss these topics of interest in more detail.

Additional topics are as follows (with appropriate chapter linkage identified):

Chapter 3

- Presentation of worksheet using the periodic method.
- Specialized journals and methods of processing accounting data.

Chapter 6

- Present-value based measurements.

Chapter 7

- Discussion of how a four-column bank reconciliation (often referred to as the proof of cash) can be used for control purposes.
- Expanded example of transfers of receivables without recourse, with accounting entries.

Chapter 11

- Discussion of lesser-used depreciation methods, such as the retirement and replacement methods.

Chapter 17

- Comprehensive earnings per share illustration.

Chapter 18

- Illustration of accounting entries for transfers of investment securities.

Chapter 20

- Discussion of the conceptual aspects of interperiod tax allocation, including the deferred and net of tax methods.
- Discussion of accounting for intraperiod tax allocation, with examples.

Chapter 22

- Real estate leases and leveraged leases.

Chapter 24

- Discussion of the T-account method for preparing a statement of cash flows. A detailed example is provided.

Chapter 25

- Discussion of accounting for changing prices both for general and specific price level changes.
- In addition to these materials, illustrative disclosures of financial reporting practices are provided.

International Accounting. An expanded discussion of international accounting institutions, the evolution of international accounting standards, and a framework for understanding differences in accounting practice is provided. This discussion is designed to complement the international reporting problems in the textbook.

Learning Style Survey. Research on left brain/right brain differences and also on learning and personality differences suggests that each person has preferred ways to receive and communicate information. After completing this survey, students will be able to pinpoint the study aids in the text that will help them learn the material based on their particular learning styles.

In summary, the *Gateway to the Profession* Digital Tool is a comprehensive complement to the tenth edition of *Intermediate Accounting*, providing new materials as well as a new way to communicate that material. The contents of the Digital Tool will be accessible to students either on a CD-ROM or online at the Wiley Web site. In addition, the following items are provided on the Kieso web site (www.wiley.com/college/kieso)

Self-Study Multiple Choice Questions. For each chapter, 15 multiple-choice questions are provided in the Digital Tool for review purposes. In addition to the correct answer, reasons are provided as to why the answer is correct. These multiple-choice questions can be used to assess the student's understanding of the subject material covered in the course and also as a quick review of the chapter.

Checklist of Key Figures. A checklist of key figures by chapter is included.

PowerPoint Presentations. A PowerPoint presentation by chapter is provided for study and review purposes.

Calculator Solutions



Financial calculator solutions (marked with the icon shown here in the margin) are included for certain time value of money problems throughout the textbook. These solutions will help enhance student skills in using a financial calculator.

International Reporting Cases

We have extended the international coverage in the text by introducing a number of international reporting cases that are based on real companies and designed to illustrate international accounting differences. These cases illustrate the importance of adjusting international financial statements to make them comparable across countries. This emphasis reinforces the user orientation of the "Using Your Judgement" element.

ENHANCED FEATURES

We have continued and enhanced many of the features that were introduced in the ninth edition of *Intermediate Accounting*, including:

Chapter-opening Vignettes

We have updated and introduced new chapter-opening vignettes to provide an even better real-world context that helps motivate student interest in the chapter topic.

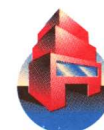
Using Your Judgment

The “Using Your Judgment” elements (Financial Reporting Problems, Financial Statement Analysis, Comparative Analysis, and Research Cases) at the end of each chapter have been revised and updated. In addition, explicit writing and group assignments have been integrated into the exercises, problems, and cases. Exercises, problems, and cases that are especially suited for group or writing assignments are identified with special icons, as shown here in the margins.



Real-World Emphasis

We believe that one of the goals of the intermediate accounting course is to orient students to the application of accounting principles and techniques in practice. Accordingly, we have continued our practice of using numerous examples from real corporations highlighted in red throughout the text. Illustrations and exhibits marked by the icon shown here are excerpts from actual financial statements of existing firms. In addition, the 1998 annual report of Intel Corporation, is included in Appendix 5B, and many real-company financial reports appear in the database on the Digital Tool.



Perspectives

We have retained the interviews with prominent accounting and business personalities on relevant accounting topics. These interviews give a real-world emphasis that is important for students in the intermediate accounting course who are considering choosing accounting as a career. In the tenth edition, we have updated a number of interviews from the ninth edition and added new interviews with accounting professionals as well as with young accountants who describe their transitions from school into the business world in interviews entitled “From Classroom to Career.”

International Insights

International Insight paragraphs that describe or compare the accounting practices in other countries are provided in the margin. We have continued this feature to help students understand that other countries sometimes use different recognition and measurement principles to report financial information.



**INTERNATIONAL
INSIGHT**

Streamlined Presentation

We have continued our efforts to keep the topical coverage of *Intermediate Accounting* in line with the way instructors are currently teaching the course. Accordingly, we have moved some optional topics into appendices and have omitted altogether some topics that formerly were covered in appendices, moving them to the Digital Tool. Details are noted in the list of specific content changes below.

Currency and Accuracy

Accounting continually changes as its environment changes; an up-to-date book is therefore a necessity. As in past editions, we have strived to make this edition the most up-to-date and accurate text available.

CONTENT CHANGES

The following list outlines the revisions and improvements made in chapters of the tenth edition.

Chapter 1

- New vignette.
- Updated international discussion.

Chapter 2

- Increased emphasis on fair-value accounting.
- Increased emphasis on revenue recognition.
- Revised section on materiality.

Chapter 3

- Revised discussion of inventory methods with emphasis on the perpetual inventory method.
- Simplified worksheet based on the perpetual method.
- Moved material on reversing entries to appendix.
- Discussion of subsidiary ledgers and special journals moved to the Digital Tool.
- Revised and simplified section on conversion from cash to accrual basis.
- The accounting equation has been inserted in the margin next to key journal entries in this chapter. This new feature reinforces the students' understanding of the impact of an accounting transaction on the financial statements.

Chapter 4

- New discussion and infographic that simplify the discussion related to the advantages and disadvantages of the income statement.
- New section on earnings management.
- Revised section on irregular items, emphasizing restructuring charges and reporting within the income statement.

Chapter 5

- New infographic that simplifies the discussion related to the advantages and disadvantages of the balance sheet.
- Moved discussion of subsequent events to the disclosure materials in Chapter 25.
- Introduced discussion of financial instruments.

Chapter 6

- New appendix on using a financial calculator called "Technology Tools for Time Value Problems." It illustrates how to use a financial calculator or computer spreadsheet to solve time value of money problems.
- Introduced calculator solutions for selected problems.

Chapter 7

- New vignette on sale of loans by sub-prime lenders.
- Updated discussion on control of cash and electronic commerce.
- Introduced calculator solutions.
- Additional real-company disclosures of cash and receivables.
- New graphic on impact of credit cards on bad debts.
- New discussion of allowance for loan losses used for earnings management.

Chapter 8

- New infographic on items included in inventory.
- Introduced real companies to illustrate merchandising and manufacturing inventories.

Chapter 9

- New opening vignette on inventory valuation.

Chapter 10

- New infographic on interest capitalization.
- Introduced real-company disclosure on interest capitalization.
- New infographic to summarize the accounting for exchanges.

Chapter 11

- New vignette on impairment, including discussion of international standards.
- New disclosure on impairments and property, plant, and equipment.

Chapter 12

- Revised discussion of characteristics of intangible assets.
- Expanded discussion of goodwill.
- New infographic on identifying research and development costs.
- Revised and updated discussion of start-up costs, advertising costs, and initial operating losses.
- Updated disclosures related to intangibles and research and development costs.
- Appendix updated for software costs developed or obtained for internal use.

Chapter 13

- New vignette on unearned revenues.
- New illustration summarizing payroll liabilities.
- Updated disclosures of current liabilities.

Chapter 14

- New vignette on weather bonds.
- Introduced calculator solutions.
- Updated real-company disclosure on debt extinguishment.
- Simplified discussion on the presentation and analysis of long-term debt.
- Updated real-company disclosure of long-term debt.

Chapter 15

- Updated vignette.
- New discussion on use of dividends versus treasury stock purchases.
- Revised discussion of issue costs.
- Revised discussion of debt-like preferred stock.

Chapter 16

- Updated vignette on stock splits
- Updated disclosure of the statement of stockholders' equity, including comprehensive income

Chapter 17

- Streamlined discussion of accounting for convertible debt.
- Updated discussion of preferred stock.
- Streamlined and updated discussion of political debate on stock option accounting.
- Updated real-company disclosure on stock compensation plans.
- Updated discussion in appendix on additional complications related to stock options.

Chapter 18

- New vignette on equity accounting.
- Enhanced discussion of portfolio effects of debt and equity investments.
- Moved Appendix 18A on transfers between categories to the Digital Tool.
- Moved Appendix 18B on changing from and to the equity method to Chapter 23 (*Accounting Changes*) to better illustrate these changes.
- Streamlined discussion in Appendix 18C on special issues related to investments.
- New appendix on accounting for derivatives.

Chapter 19

- New vignette on revenue recognition for Internet companies.
- Revised discussion on revenue recognition.

Chapter 20

- New vignette on management of tax costs.
- New discussion on differences between tax return and GAAP reporting.
- New real-company income tax disclosure.
- Deletion of alternative minimum tax.
- Move discussion of intra-period tax allocation to the Digital Tool.
- Moved Appendix 20B on the conceptual aspects of inter-period tax allocation to the Digital Tool.

Chapter 21

- New vignette on wealth creation in retirement plans.
- New graphic on size of pension funds.
- Expanded discussion of trends in pensions.
- Streamlined discussion on capitalization versus non-capitalization.
- Updated discussion for new pension disclosure standard.
- Revised discussion on the Pension Reform Act and related issues.

Chapter 22

- Updated vignette on leasing.
- Streamlined discussion related to the advantages of leasing.
- Updated real-company disclosures of leases by lessees and lessors.
- Expanded discussion of rationale for sale-leaseback.

Chapter 23

- Updated discussion of motivations for changes.
- Appendix on changing from and to the equity method added.

Chapter 24

- Relocated “Usefulness of Statement of Cash Flows” section to the front of the chapter.
- Real-company disclosures used throughout the chapter.

Chapter 25

- Updated and simplified discussion of reporting for diversified companies.
- New section on subsequent events added.
- New discussion on Internet reporting.
- Updated discussion on reporting of future events.
- Updated discussion on fraudulent financial reporting and the profession’s response.
- Moved the appendix “Accounting for Changing Prices” to the Digital Tool.

END-OF-CHAPTER ASSIGNMENT MATERIAL

At the end of each chapter we have provided a comprehensive set of review and homework material consisting of questions, exercises, problems, and short cases. For this edition, many of the exercises and problems have been revised or updated. In addition, the Using Your Judgment sections, which include financial reporting problems, ethics cases, financial statement analysis cases, comparative analysis cases, and research cases have all been updated. A number of international reporting cases that are based on real companies are introduced throughout the textbook. All of the assignment materials have been class tested and/or double checked for accuracy and clarity.

The questions are designed for review, self-testing, and classroom discussion purposes as well as homework assignments. Typically, a brief exercise covers one topic, an exercise one or two topics. Exercises require less time and effort to solve than problems and cases. The problems are designed to develop a professional level of achievement and are more challenging and time-consuming to solve than the exercises. Those exercises and problems that are contained in the *Excel Problems* supplements are identified by a blue computer disk icon in the margin. The cases generally require essay as opposed to quantitative solutions; they are intended to confront the student with situations calling for conceptual analysis and the exercise of judgment in identifying problems and evaluating alternatives. The Using Your Judgment assignments are designed to develop students’ critical thinking, analytical, interpersonal, and communication skills.

Probably no more than one-fourth of the total exercise, problem, and case material must be used to cover the subject matter adequately; consequently, problem assignments may be varied from year to year.

COLOR DESIGN

The color coding in the design not only enlivens the textbook’s appearance but, through planned and consistent usage, eases learning. Note that the financial statements are presented in beige screens with blue headers. Trial balances, work sheets, and large schedules are presented in blue screens with beige headers.

All end-of-chapter summaries and assignments (including appendices) are tabbed with a red color bar, while the five interest and annuity tables in Chapter 6 are tabbed with a blue color bar to make it easy to locate and identify them.

The color design is summarized as follows:

- The names of real-world companies in the text and illustrations are shown in red.
- Excerpts from the financial statements of real world companies are indicated by this icon



- Other external statements have a blue heading with beige background for text.
- Internal statements show a beige heading and blue background for text.

SUPPLEMENTARY MATERIALS

Accompanying this textbook is an improved and expanded package of student learning aids and instructor teaching aids.

The *Intermediate Accounting*, 10/e, Digital Tool (CD-ROM and Web site) described in detail on pages ix–xii provides additional tools for students and instructors. Key features include:

- Analyst's Toolkit
- Professional Toolkit
- Student Helper Toolkit

Instructor Teaching Aids

Instructor's Resource System on CD-ROM

- Resource manager with friendly interface for course development and presentation.
- Includes all instructor supplements, text art, and transparencies.

Instructor's Manual: Vol. 1 Chs. 1–14

Instructor's Manual: Vol. 2 Chs. 15–25

- Lecture outlines keyed to text learning objectives
- Updated Bibliography.
- Teaching Transparency Masters.
- Section on "How to assign and evaluate ethical issues in the course."
- Sections on "How to incorporate writing" and "How to incorporate group (collaborative) work."

Solutions Manual, Vol. 1: Chs. 1–14

Solutions Manual, Vol. 2: Chs. 15–25

- Answers to all questions, brief exercises, exercises, problems, and case material provided.
- Classification Tables categorize the end-of-chapter material by topic to assist in assigning homework.
- Assignment Tables (characteristics) describe the end-of-chapter material, its difficulty level, and estimated completion time.
- All solutions triple-checked to ensure accuracy.

Test Bank, Vol. 1: Chs. 1–14

Test Bank, Vol. 2: Chs. 15–25

- Essay questions with solutions help you test students' communication skills.
- Estimated completion times facilitate test planning.
- Computations for multiple-choice problems assist you in giving partial credit.

Computerized Test Bank IBM 3.5"

- A large collection of objective questions and exercises with answers for each chapter in the text.