

L A R S O N ■ W I L D ■ C H I A P P E T T A



F A P 15
EDITION

FUNDAMENTAL ACCOUNTING PRINCIPLES

Fundamental Accounting Principles

Fifteenth Edition

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To the Instructor

Changes in accounting education have led to the most significant revision in the history of **Fundamental Accounting Principles**. The call for change in introductory accounting is upon us, and we responded. This fifteenth edition gives you more flexibility and options for innovation than preceding editions. At the same time, it maintains the rich content that has made it a market-leading textbook in accounting principles. See the Preface and its “To the Instructor” comments to learn more about this new and exciting edition and all its supporting materials. We know you will enjoy teaching from this new edition.

To the Student

Accounting is one of the most valuable subjects you will study. Understanding accounting—the language of business—is essential for business success. **Fundamental Accounting Principles** gives you this understanding. Its content, features, and insights make learning accounting exciting and relevant. Please see the preface’s “To the Student” comments to learn more about this book and how it can help you achieve success. Described in the preface are many student supplements that will help you succeed. We are confident you will find this book relevant and fun.

To my wife **Nancy**.

To my wife **Gail** and children, **Kimberly, Jonathan, Stephanie,** and **Trevor**.

To my husband **Bob**, my sons **Michael** and **David**, and my **mother**.

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A progressive new authoring team further establishes F.A.P.'s market leadership . . .



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An expert set of contributors complements the authors' rich experiences and success . . .

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Preface

Let's Talk

Through extensive market-based surveys, focus groups, reviews, and personal correspondence with instructors and students, we discovered several interests and needs in accounting education today. In a nutshell, these desires can be grouped into eight pedagogical areas: (1) motivation, (2) organization, (3) preparation, analysis, and use; (4) ethics, (5) technology, (6) real world; (7) active learning, and (8) flexibility. Our main goal in this edition of *Fundamental Accounting Principles (F.A.P.)* is to address these needs and create the most contemporary, exciting, relevant, and flexible principles book in the market. A quick summary of these areas follows.

Motivation. Motivation drives learning. From the chapter's opening article and its focus on young entrepreneurs to the decision-making prompted by *You Make the Call*, **F.A.P.** motivates readers. It brings accounting and business to life and demonstrates that this material can make a difference in your life.

Organization. Organization serves the learning process, and **F.A.P.**'s outstanding organization aids that process. From "Chapter Linkages" and learning objectives organized by the *CAP Model™* to its chapter outline and Flashbacks, **F.A.P.** is the leader in lending readers a helping hand in learning about accounting and business.

Preparation, Analysis, and Use. Accounting involves preparing, analyzing, and using information. **F.A.P.** balances each of these important roles in explaining and illustrating topics. From the unique Using the Information section to the creative Hitting the Road projects, **F.A.P.** shows all aspects of accounting.

Ethics. Ethics is fundamental to accounting. **F.A.P.** highlights the roles of ethics and social responsibility in modern businesses. From the Judgment and Ethics decision-making feature to its Ethics Challenge assignments, **F.A.P.** alerts readers to relevant and important ethical concerns.

Technology. Technology continues to change business and accounting, creating new and exciting accounting opportunities. **F.A.P.** is the leader in applying and showing technology in accounting. From the innovative Taking It to the Net projects to its Web-based assignments, **F.A.P.** pushes the accounting frontiers.

Real World. Accounting is important to the information age. From features and assignments that highlight companies like NIKE, Reebok, and America Online to the Teamwork in Action and Communication in Practice activities, **F.A.P.** shows accounting in a modern, global context. It also engages both accountants and nonaccountants. From the exciting Did You Know? features to its *Business Week Activities*, **F.A.P.** shows accounting is relevant to everyone.

Active Learning. Active learning implies active inquiry and interaction. **F.A.P.**'s instructor's edition (F.A.S.T.) gives new annotated links to pedagogical materials for those interested in applying active learning activities. **F.A.P.** is the undisputed leader in offering a strong pedagogical support package for active learning. Also, the *MHLA* service is a new, special addition to our support package.

Flexibility. Accounting involves conceptual, analytical, and procedural aspects. **F.A.P.** offers a new CAP Model to help choose the preferred teaching or learning approach. The CAP Model establishes color-coded learning objectives as either Conceptual, Analytical, or Procedural, and assigns them to chapter content, assignments, and test items. This gives maximum flexibility and choice in teaching and learning structure.

This is just a sneak preview of **F.A.P.**'s new and exciting features. From communication, interpersonal, and critical thinking skills to the development of ethical and global awareness, **F.A.P.** is the leader. We invite you to take a complete look at these and other special features in the remainder of this preface to see why **F.A.P.** is the *first choice* in accounting principles books.

To Instructor

F.A.P. gives Web addresses for current follow-ups to articles, excerpts, and financial statements, and for a real world flavor.

To Student

The chapter's opening article and its *You Make the Call* features drive home the relevance of accounting and business.

Motivation

Motivation is a main goal of **F.A.P.** We know information retention is selective—if it doesn't apply to the lives of readers, they typically aren't motivated to learn. **F.A.P.** explains and illustrates how accounting applies to the reader. Here is a sampling of materials that motivates the reader.

The **Chapter Opening Article** sets the stage and shows how the chapter's contents are relevant to the reader. Articles often focus on young entrepreneurs in business who benefit from preparing, analyzing, and using accounting information. These articles bring the material to life in concrete terms.

Tax Cop



DETROIT, MI—Carmen Benish and her two comrades jump out of their battered Zhiguli and walk briskly to the door of a bicycle sales and services shop in the Moscow suburb of Podolsk. Ducking under bicycle frames hanging from the ceiling, they approach a salesclerk and flash their badges. A few days earlier, an undercover colleague made a purchase that wasn't reported. Benish, Mikail Nikolas, and Val Yaroslav are investigating whether the business is underreporting sales to avoid paying

You Make the Call features develop critical thinking and decision-making skills by requiring decisions using accounting information. Each chapter contains two to four of these features. They are purposely chosen to reflect different kinds of users. Examples are investors, consultants, programmers, financial planners, engineers, appraisers, and political and community activists. Guidance answers are provided.

Entrepreneur

You are the owner of a small retail store. You are considering allowing customers to purchase merchandise using credit cards. Until now, your store only accepted cash and checks. What form of analysis do you use to make this decision?

You Make the Call

Company Excerpts call attention to well-known organizations to illustrate accounting topics. These excerpts are often accompanied by a photo drawing attention to the nature of the business and its relevance to readers.

Sales are generally recorded by the Corporation when products are shipped to independent dealers.

General Motors

NIKE, INC. CONSOLIDATED STATEMENT OF INCOME

(in thousands, except per share data)

YEAR ENDED MAY 31,

	1999	1998	1997
Revenues	\$9,186,539	\$6,470,625	\$4,760,834
Costs and expenses:			
Costs of sales	5,502,993	3,906,746	2,865,280
Selling and administrative	2,303,704	1,588,612	1,209,760
Interest expense (Notes 4 and 5)	52,343	39,498	24,208
Other income/expense, net (Notes 1, 9 and 10)	32,277	36,679	11,722

Financial Statements of familiar companies are used to acquaint readers with the format, content, and use of accounting information. The financial statements for NIKE, Reebok, and America Online are reproduced in the book and referenced often.

Organization

Organization is crucial to effective learning. If it isn't well-organized or linked with previous knowledge, learning is less effective. **F.A.P.** helps readers organize and link accounting concepts, procedures, and analyses. A **Preview** kicks off each chapter. It introduces the importance and relevance of the materials. It also links these materials to the opening article to further motivate the reader. Here are some additional materials to enhance learning effectiveness.

A Look Back

Chapter 1 began by considering the role of accounting in the information age. We described accounting for different organizations and identified users and uses of accounting. We saw that ethics and social responsibility are crucial to accounting.

A Look Ahead

Chapter 3 explains the recording of transactions. We introduce the double-entry accounting system and show how T-accounts are helpful in analyzing transactions. Journals and trial balances are also identified and explained.

Learning Objectives

Conceptual

C1 Identify and explain the content and reporting aims of financial statements.

C2 Describe differences in financial statements across forms of business organization.

Analytical

A1 Analyze business transactions using the accounting equation.

A2 Compute return on equity and use it to analyze company performance.

Procedural

P1 Prepare financial statements from business transactions.

To Instructor

Use the *CAP Model*[™] and its link to learning objectives to help structure the course and assignment material to your instructional style.

To Student

Study each of these helpful organizational aids to increase your understanding and learning of accounting and business.

Flash back

- 10.** Identify seven internal operating functions in organizations.
- 11.** Why are internal controls important?

Chapter linkages launch a chapter and establish bridges between prior, current, and upcoming chapters. Linkages greatly assist readers in effectively learning the materials and help them link concepts across topics.

Learning Objectives are shown at the beginning of the chapter to help focus and organize the materials. Each objective is repeated in the chapter at the point it is described and illustrated. Self-contained summaries for learning objectives are provided at the end of the chapter.

A series of **Flashbacks** in the chapter reinforce the immediately preceding materials. Flashbacks allow the reader to momentarily stop and reflect on the topics described. They give immediate feedback on the reader's comprehension before going on to new topics. Answers are provided.

Chapter Outline

► Communicating with Financial Statements

- Previewing Financial Statements
- Financial Statements and Forms of Organization

► Transactions and the Accounting Equation

- Transaction Analysis—Part I
- Transaction Analysis—Part II
- Summary of Transactions

A color-coded **Chapter Outline** is provided for the chapter. This gives a mental and visual framework to help readers learn the material.



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We are thankful for the encouragement, suggestions, and counsel provided by the many instructors, professionals, and students in preparing the 15th edition. This new edition reflects the pedagogical needs and innovative ideas of both instructors and students of accounting principles. It has been a team effort and we recognize the contributions of many individuals. We especially thank and recognize those individuals who provided valuable comments and suggestions to further improve this edition, including:

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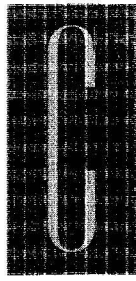
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