



PRINCIPLES OF ACCOUNTING

SIXTH
EDITION

HANSON HAMRE WALGENBACH

S I X T H E D I T I O N

PRINCIPLES **OF** ACCOUNTING

ERNEST I. HANSON

University of Wisconsin—Madison

JAMES C. HAMRE

University of Wisconsin—Madison

PAUL H. WALGENBACH

University of Wisconsin—Madison

THE DRYDEN PRESS

Harcourt Brace Jovanovich College Publishers

Fort Worth Philadelphia San Diego New York Orlando Austin San Antonio
Toronto Montreal London Sydney Tokyo



EDITOR IN CHIEF *Robert A. Pawlik*
ACQUISITIONS EDITOR *Tim Vertovec*
DEVELOPMENTAL EDITOR *Craig Avery*
PROJECT EDITOR *Cheryl Hauser*
PRODUCTION MANAGER *Diane Southworth*
DESIGNER *Linda Wooton Miller*
PHOTO/PERMISSIONS EDITORS *Mark Brelsford and Sheila Shutter*

Cover Photo: Copyright © 1992 Stock Yard. Architectural models courtesy of Roger Walcker.

Copyright © 1993, 1990, 1987, 1984, 1980, 1976 by Harcourt Brace Jovanovich, Inc.

All rights reserved. No part of this publication may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopy, recording, or any information storage and retrieval system, without permission in writing from the publisher.

Requests for permission to make copies of any part of the work should be mailed to: Permissions Department, 8th Floor, Harcourt Brace Jovanovich, Publishers, Orlando, Florida 32887.

Address for Editorial Correspondence

The Dryden Press, 301 Commerce Street, Suite 3700, Fort Worth, TX 76102

Address for Orders

The Dryden Press, 6277 Sea Harbor Drive, Orlando, FL 32887
1-800-782-4479, or 1-800-433-0001 (in Florida)

ISBN: 0-03-096197-1
0-03-097431-3 (A.I.E.)

Library of Congress Catalog Number: 92-71286
Printed in the United States of America

3 4 5 6 7 8 9 0 1 2 048 9 8 7 6 5 4 3 2 1

The Dryden Press
Harcourt Brace Jovanovich

Photo Credits: **Chapter 1** Copyright 1988 Comstock. **Chapter 2** Courtesy of SkyWest Airlines. **Chapter 3** John McDonough/Sports Illustrated. **Chapter 4** Courtesy of Georgia Pacific. **Chapter 5** Michael A. Keller/Third Coast Stock. **Chapter 6** Courtesy of Chrysler Financial; Photography by Arnold Zann/Blackstar. **Chapter 7** Michael Newman/Photo Edit. **Chapter 8** Tony Freeman/Photo Edit. **Chapter 9** Courtesy of Electronic Data Systems. **Chapter 10** Charles Beck Studios. **Chapter 11** Courtesy of Georgia Pacific. **Chapter 12** Tony Freeman/Photo Edit. **Chapter 13** Courtesy of NCR Corporation. **Chapter 14** Buck Miller/Third Coast Stock. **Chapter 15** Courtesy of General Cinema Corporation. **Chapter 16** Courtesy of Phillips Petroleum. **Chapter 17** Courtesy of Southwestern Bell Telephone. **Chapter 18** Courtesy of American Brands, Inc. **Chapter 19** Courtesy of Norfolk Southern Corporation. **Chapter 20** Courtesy of Stride Rite Corporation. **Chapter 21** Courtesy of Saturn. **Chapter 22** Courtesy of John Deere. **Chapter 23** Courtesy of American Petroleum Institute. **Chapter 24** Lee Gregory. **Chapter 25** Bill Varie/The Image Bank. **Chapter 26** Courtesy of Giddings & Lewis. **Chapter 27** Walter Bibikow/The Image Bank. **Chapter 28** Courtesy of International Business Machines Corporation. Back Cover: Loeb Photographics, Madison, Wisconsin.

- **ENHANCE STUDENTS' ANALYTICAL SKILLS** A key to success in business is the ability to solve unstructured problems. Multiple opportunities to gain such experience are presented in end-of-chapter Analytical Application Cases and Business Decision Cases.
- **DEVELOP COMMUNICATION SKILLS** For accounting information to be effective, it must be communicated. Through writing requirements integrated into the end-of-chapter assignment material, written communication skills are developed. Through group projects identified in the instructor's materials, improvements in interpersonal communication skills are encouraged.
- **GAIN AN UNDERSTANDING OF THE BUSINESS PRACTICES OF OTHER CULTURES** The effective business person must see beyond his or her own environment and understand the world beyond. To encourage this, international accounting issues have now been integrated into the text wherever appropriate.

LEARNING FEATURES FOR THE TEXT

- **CHAPTER OVERVIEW QUESTION, PHOTO, AND RESPONSE** bring the real world into the text by illustrating accounting concepts in practice for actual companies.
- **CHAPTER OBJECTIVES**, with page references, are stated at the beginning of each chapter and indicate what students should understand when they complete the chapter. So that students will be encouraged to take an active learning approach, action words appear in boldface. All teaching and learning aids are tied to chapter objectives.
- **A CHAPTER QUOTATION** begins each chapter, exposing the student to a broader perspective.
- **CHAPTER OBJECTIVES**, repeated in the margins of the text, help the students to better structure their learning strategy.
- **BOXED INSERTS** (one per chapter) feature excerpts from a variety of business publications that illustrate the real-life complexities of accounting. A majority are new to this edition.
- **ANALYTICAL APPLICATION SECTION** (in the first 19 chapters) identifies a specific financial ratio or other analytical tool related to the chapter and illustrates how it can be used to interpret accounting data. The section is placed at the end of the chapter to permit convenient exclusion by instructors who want to defer coverage of this material until Chapter 20.
- **KEY POINTS FOR CHAPTER OBJECTIVES**, with chapter objectives repeated, clearly summarize each chapter.
- **SELF-TEST QUESTIONS FOR REVIEW** present five multiple-choice questions per chapter. Answers, with page numbers referring to the relevant discussion in the

text, appear after the Solution to Demonstration Problem and give students immediate feedback.

- **DEMONSTRATION PROBLEM FOR REVIEW**, with complete solution, gives the students another opportunity to assess their comprehension of the material.
- **GLOSSARY OF KEY TERMS USED IN THIS CHAPTER**, with page references to their introduction in the chapter, provides a convenient opportunity for vocabulary review.
- **QUESTIONS**, approximately 20 per chapter, provide an opportunity for class discussion or single-concept review. Many questions feature a written requirement.
- **EXERCISES**, approximately 8 per chapter, are identified by both topic and chapter objective.
- **PROBLEMS** are also identified by topic and chapter objective. Problems that can be solved using three of the four software packages available with this textbook are identified with special logos.
- **ALTERNATE EXERCISES**, new to this edition, provide an even wider variety of assignment material.
- **ALTERNATE PROBLEMS** cover the same concepts as the problems with new data to ensure comprehension.
- **BUSINESS DECISION CASE** (one per chapter) requires the student to analyze a business situation and make a judgment. Several cases have a written requirement.
- **ANALYTICAL APPLICATION CASE** (Chapters 1–20) allows students to apply newly learned financial ratios to evaluate financial statement data of real-world companies.
- **ETHICS CASE**, one per chapter, challenges the students to make an ethical judgment concerning a business situation related to the material in the chapter.
- **MINI PRACTICE SETS I and II**, following Chapter 4, constitute an extensive accounting cycle assignment. Set I covers one accounting period and Set II covers two accounting periods.
- **CHECKLIST OF KEY FIGURES**, provided as an appendix to the book, gives students feedback when solving the assignment material.
- **ACETATE OVERLAYS** in Chapter 4 explain how to prepare a worksheet in a step-by-step process.
- **FINANCIAL STATEMENTS AND RELATED DISCLOSURES FROM THE 1991 ANNUAL REPORT OF DONNELLY CORPORATION** appear at the end of the textbook as Appendix L to provide an example of the accounting principles discussed throughout the textbook.

MAJOR CONTENT CHANGES IN THIS REVISION

■ PRESENTATION OF ANALYTICAL APPLICATIONS

To demonstrate the usefulness of accounting data and to encourage critical thinking by students, each of the first 19 chapters introduces a financial ratio or other analytical tool that relates to the chapter content. The end-of-chapter assignment material includes an Analytical Application Case that uses financial data from real-world companies. Chapter 20 provides a comprehensive and integrative summary of these ratios and analytical tools.

■ EXPANDED COVERAGE OF PERPETUAL INVENTORY

Consistent with the increased use of the perpetual inventory system in the business world, the textbook devotes increased attention to this topic. The Sixth Edition features a new section in Chapter 5 introducing perpetual inventory techniques, an expanded discussion of perpetual inventory pricing methods in Chapter 9, and the use of perpetual inventory as the basis for the introduction of manufacturing accounting in Chapter 21.

■ INTEGRATED COVERAGE OF CASH FLOWS

Consistent with its status as one of the basic financial statements, the textbook improves its integration of the statement of cash flows. The statement of cash flows is introduced as one of the basic financial statements in Chapter 1 and 2; financial ratios using cash flow data are presented in Chapters 2, 12, and 13; the statement of cash flows and related ratios are added to Chapter 20; and a budgeted statement of cash flows is presented in Chapter 26. In addition, Chapter 19, Statement of Cash Flows, has been rewritten to permit complete segregation of the direct and indirect methods of reporting net cash flow from operations. The instructor can now present either method or both, with or without a worksheet, as desired.

■ EXPANDED COVERAGE OF INTERNATIONAL ACCOUNTING

The need for increased attention to international issues led to the movement of the topic of import and export accounting into Chapter 9, a new section on international accounting principles in Chapter 13, exclusive devotion of Appendix F to the topic of conversion of foreign currency financial statements, and coverage of international transfer pricing in Appendix I.

■ EXPANDED COVERAGE OF PLANNING, BUDGETING, AND FLEXIBLE BUDGETING

Chapter 26 from the Fifth Edition has been expanded into two chapters and now includes coverage of strategic planning and operational planning as well as static and flexible budgets and their impact on performance reports.

■ COVERAGE OF TIMELY TOPICS IN MANAGERIAL ACCOUNTING

Coverage of just-in-time inventory (Chapters 21 and 26) and activity-based costing and cost drivers (Chapter 22) reflect the modern manufacturing environment. Transfer pricing, a topic that is receiving increased attention from both business and government, is discussed in Appendix I.

■ NEW APPENDIXES ON TAXES

Appendix J, new to this edition, brings into proper focus the relationship of taxes to the business environment by discussing the effect of various taxes on decision

making. Appendix K, also new to this edition, presents updated material on income taxation of individuals that was previously contained in Chapter 28.

CHAPTER-BY-CHAPTER CHANGES FOR THE SIXTH EDITION

CHAPTER 1

- A new section on ethics and the accounting environment is included.
- The introduction of the matching concept has been moved into the chapter from Chapter 3.
- The statement of cash flows is introduced along with an exhibit (1-3) that integrates the statement of cash flows with other basic financial statements.
- A boxed insert on ethics is introduced.
- The accounting equation is used to analyze transactions (earlier editions used balance sheets to analyze transactions).
- The chapter content is simplified by eliminating all references to adjustments, which are now introduced in Chapter 3. The chapter illustration is revised to continue the text's tradition of always presenting accurate financial statements.

CHAPTER 2

- Exhibit 2-1 is a new exhibit showing a blank account.
- A new section on permanent and temporary accounts is included, along with an expanded Exhibit 2-3 to distinguish between permanent owners' equity and owners' withdrawals.
- Exhibit 2-5 is revised to place the general ledger and trial balance in the same exhibit; the exhibit is sized so that the student does not have to turn the page sideways to view it.
- A new section on the relationships among financial statements includes an exhibit (2-6) showing these relationships.
- Number slides are added to the section on errors in transaction analysis.

CHAPTER 3

- Material on prepayments recorded as revenue and expense is expanded and moved to Appendix A.
- All references to special journals have been eliminated; special journals are now introduced in Chapter 6.
- Exhibit 3-5 on posting is divided into two parts.
- Exhibit 3-6 from the Fifth Edition is divided into two exhibits (3-6 and 3-7) and reduced considerably in length.

CHAPTER 4

- An acetate overlay, which gives a step-by-step illustration of worksheet preparation, is added (Exhibits 4-2 through 4-6).
- A section that covers the classified balance sheet is moved into the chapter from Chapter 5.
- New diagrams showing the operating cycle for a service firm and merchandising firm are included.

- The discussion of closing entries is expanded to cover partnerships as well as sole proprietorships and corporations.

CHAPTER 5

- A new exhibit (5-4) is included on the treatment of freight costs.
- A new section on perpetual inventory techniques and a comparison to periodic inventory techniques has been added as well as a new section on a perpetual inventory worksheet.
- The order of closing entries has changed to be consistent with coverage in other chapters.
- A new boxed insert on bar codes is included.
- In Appendix B, adjusting entries are changed to use the Cost of Goods Sold account.

CHAPTER 6

- Special journals for perpetual inventory are added to the examples of special journals for periodic inventory.
- The graphic design of exhibits that contain examples of special journals has been improved.
- A new boxed insert on fault-tolerant computers has been included.

CHAPTER 8

- The chapter has been reorganized to present the allowance method before the direct write-off method.
- The coverage of credit card sales is expanded.
- Terminology has been changed to address clearly add-on interest and borrowing at a discount.
- A new boxed insert on granting credit is added.

CHAPTER 9

- The discussion of perpetual inventory pricing methods is expanded, and new illustrations of perpetual specific identification, perpetual moving average, and perpetual LIFO to go with the previous illustration of perpetual FIFO are included.
- The discussion and exhibit (9-3) of comparative analysis of pricing methods is revised so that it now applies to both periodic and perpetual methods.
- Accounting for imports and exports is moved into the chapter from the appendix on international accounting.
- Payment methods for international trade is a new boxed insert.

CHAPTER 10

- The section on original measurement of plant assets includes resequenced material.
- Graphs comparing straight-line, sum-of-the-years'-digits, and double-declining balance depreciation methods are added.

CHAPTER 11

- The section on exchange of plant assets has been revised to reflect consensus positions of the FASB Emerging Issues Task Force.

- A new exhibit (11-1) is included that summarizes plant asset disposals.
- The discussion of financial statement reporting of depletion charge is expanded.
- A new boxed insert is featured on selecting consumer product names.

CHAPTER 12

- A new Exhibit 12-1, Liabilities: Criteria and Financial Statement Treatment, is included to clarify accounting treatment of liabilities.
- The coverage of contingent liabilities, including environmental cleanup costs, is expanded.
- The discussion on payroll calculations is updated to include current rates.
- A boxed insert on accounting for environmental cleanup costs is new.

CHAPTER 13

- There is a new section on international accounting principles.
- Most material on inflation accounting is moved to Appendix C, Reporting the Impact of Changing Prices.
- The discussion of basic accounting principles is resequenced.
- New real-world examples of various types of disclosures are provided.
- A new boxed insert is included on variation in international accounting principles.

CHAPTER 14

- A new boxed insert explains how to achieve a productive partnership.

CHAPTER 15

- Sections on the advantages and disadvantages of the corporate form of organization are included.
- A new exhibit (15-1) is provided on corporate organizational structure.
- Discussion of cumulative versus noncumulative preferred stock features a new illustration.
- A new boxed insert on the phasing out of stock certificates is added.

CHAPTER 16

- Separate Cash Dividends and Stock Dividends accounts are introduced for the declaration of dividends.
- Material dealing with income statement sections is resequenced, and the section on tax allocation within a period is rewritten.
- The section on appropriations of retained earnings (with journal entries) is replaced with a section on restrictions on retained earnings (disclosed in notes to the financial statements).
- The section on earnings per share is rewritten.
- A new boxed insert is featured on basics of dividend reinvestment plans.

CHAPTER 17

- A new section is added on the advantages and disadvantages of issuing bonds.
- New discussion as well as a new exhibit (17-1) target trading on the equity (topic was in Chapter 20 in the Fifth Edition).

- Discussion of bond pricing is expanded, and a new exhibit (17-2) is introduced on the topic.
- Discussion of mortgage notes payable is expanded, and a new exhibit (17-6) is featured.
- Example and end-of-chapter assignments dealing with bond issuance between interest dates are revised to occur at some point other than exactly halfway between interest dates.
- Illustration and end-of-chapter assignments on early retirement of bonds are simplified by having retirements occur on an interest payment date.
- A brief discussion of liability associated with retirement benefits other than pensions is added.
- A new boxed insert features bond redemptions and call features.
- Coverage of long-term bond investments is moved to Chapter 18.
- Appendix D now includes an example of installment payment computation.

CHAPTER 18

- A section is added on long-term bond investments (in Chapter 17 in the Fifth Edition).
- The section on the consolidated retained earnings statement is eliminated.
- A section on unrealized profit on intercompany sales is also eliminated.
- Material on intercompany receivables and payables is moved to appear earlier in the chapter.
- The Demonstration Problem is changed to illustrate a consolidation that has both a minority interest and goodwill from consolidation.
- Appendix F is revised to deal only with conversion of foreign currency financial statements.

CHAPTER 19

- The direct method and the indirect method for preparing the statement of cash flows are discussed and illustrated separately.
- Sections are added to both direct and indirect methods for preparing the statement of cash flows without using a worksheet.
- Two Demonstration Problems are provided, one for the direct method and another for the indirect method. Both demonstration problems are changed to be non-worksheet illustrations.
- End-of-chapter problems are identified as whether the direct method or indirect method should be used and whether a worksheet is required.

CHAPTER 20

- Extensively revised, Chapter 20 reviews and integrates all of the analytical applications from Chapters 1–19. As such, the chapter may be used as an integrative supplement to these applications. Because all applications are reviewed in the chapter, it may also be used as the initial exposure to any, or all, of these analytical tools.

- The following ratios have been *added*: gross profit percentage; asset turnover; operating cash flow to current liabilities ratio; accounts receivable turnover; days' sales in inventory; operating cash flow to total liabilities ratio; and operating cash flow to capital expenditures ratio.
- All ratios are now grouped into the following categories: analyzing profitability; analyzing short-term liquidity; analyzing long-term solvency; and analyses for common stock investors.
- A statement of cash flows is added to the chapter (Exhibit 20-3), and three cash flow ratios are integrated into the material.
- The topic of trading on the equity has been moved to Chapter 17.
- Industry averages are added to the illustrations of various ratios in the chapter.
- A new boxed insert on measuring a company's earnings potential is featured.

CHAPTER 21

- Periodic manufacturing inventories are eliminated and perpetual manufacturing inventories are used to be consistent with subsequent chapters and actual practice.
- Exhibit 21-1 on manufacturing product cost flows is improved.
- The schedule of cost of goods manufactured and sold replaces the cost of goods manufactured statement.
- The perpetual inventory manufacturing worksheet is used to prepare financial statements.
- An illustration of product cost accumulation (journal entries and T accounts) is added.
- A section on major trends in manufacturing is added, including manufacturing cells, automation, and flexible manufacturing systems.
- Problems and a boxed insert on just-in-time inventories are included.

CHAPTER 22

- The exhibits related to product cost accumulation are improved and expanded.
- A section is added on disposition of underapplied or overapplied overhead by allocating it to Work in Process Inventory, Finished Goods Inventory, and Cost of Goods Sold.
- A section on *activity-based costing* with a comparison to plantwide overhead rates and departmental overhead rates is added.
- Problems are added on activity-based costing.
- A boxed insert on cost drivers in an activity-based costing system is introduced.

CHAPTER 23

- A boxed insert on productivity and technology is added.

CHAPTER 25

- Appendix I on domestic and international transfer pricing is added.
- Appendix J on tax considerations in business decision making is introduced.

CHAPTER 26

- A section on planning, including strategic planning and operational planning, is added.
- The format of the cash budget has been changed to the more traditional format of beginning balance plus cash receipts minus cash disbursements equals ending cash balance.
- The following are all new exhibits featured in the chapter: Exhibit 26-1, Sequence for Preparing Plans and Budgets; Exhibit 26-2, Budgets and Data Flows Comprising the Master Budget; Exhibit 26-9, Selling and Administrative Expense Budget; Exhibit 26-12, Schedule of Estimated Product Cost per Unit; Exhibit 26-13, Budgeted Income Statement; Exhibit 26-14, Budgeted Balance Sheet; Exhibit 26-15, Budgeted Statement of Cash Flows.
- The boxed insert on zero-base budgeting is improved.

CHAPTER 27

- A section on static budgets, flexible budgets, and performance reports using both types of budgets is expanded and improved.
- The following are new exhibits introduced in the chapter: Exhibit 27-1, Static Budget for Product Costs; Exhibit 27-2, Static Budget Performance Report; Exhibit 27-3, Flexible Budget for Product Costs; Exhibit 27-4, Flexible Budget Performance Report.
- There is a new boxed insert on variance analysis for a thoroughbred horse boarding farm (“Old Rosebud”).

CHAPTER 28

- Chapter 28 in the Sixth Edition was Chapter 27 in the Fifth Edition.
- A new boxed insert is featured on capital investments.

APPENDIX H

- Appendix K in the Sixth Edition replaces the coverage of income taxation of individuals that was included in Chapter 28 in the Fifth Edition.
- Material is updated for changes in the income tax law.

APPENDIX L

- The financial statements and related disclosures from the 1991 annual report of Donnelly Corporation are included.

APPENDIX M

- Appendix M covers how to use the Sixth Edition’s MICROSTUDY+, the improved and expanded version of the MicroStudy self-paced computerized tutorial.

**THE TEACHING
PACKAGE
For the Instructor**

In addition to the textbook, the teaching package includes a wide-ranging set of teaching tools for the instructor and learning tools for the student.

- **ANNOTATED INSTRUCTOR’S EDITION**, with annotations by Shirley Glass (Macomb Community College), includes annotations throughout. These include lecture

notes, discussion questions, and many suggestions for illustrating concepts with real-world examples.

- **INSTRUCTOR'S MANUAL**, by Sandra Bitenc, CPA (Texas Christian University), includes key Teaching Points; Lecture Notes and Illustrations; Suggested Assignment Sequences for light, moderate, and heavy amounts of homework; Expanded Requirements for selected exercises; Writing Requirements for Selected Exercises; Self-Study Problems with worked solutions; and two Ten-minute Quizzes (with solutions in the back) per chapter.
- **INSTRUCTOR'S MANUAL ON DISH** contains the entire Manual in ASCII format for use with virtually any word processing program. The instructor can customize by adding personal lecture outlines and making modifications as necessary.
- **SOLUTIONS MANUAL**, prepared by the textbook authors, includes answers to all questions, exercises, alternate exercises, problems, alternate problems, and cases. For all exercises, alternate exercises, problems and alternate problems, the topic and chapter objective number(s) are identified. It is available in two volumes.
- **SOLUTIONS TRANSPARENCIES**, available in two volumes, are easy-to-read, large-type transparencies that provide solutions to all exercises, problems, alternate exercises, alternate problems, and cases.
- **INSTRUCTOR'S MANUAL FOR MONOPOLY GAME PRACTICE SET**, by Richard S. Rand (Tennessee Technological University) includes grading procedures, alternate assignments, and substitute procedures for the Monopoly Game Practice Set.
- **SOLUTIONS TO PRACTICE SETS** contains solutions to Practice Set A and Computerized Practice Set A, Practice Set B and Computerized Practice Set B, and Practice Set with Business Papers. It does not contain solutions to the Monopoly Game Practice Set.
- **INSTRUCTOR'S MANUAL AND SOLUTIONS DISH FOR THE COMPUTER RESOURCE GUIDE**, by John W. Wanlass (DeAnza College).
- **INSTRUCTOR'S VERSION OF THE ANALYTICAL APPLICATION SOFTWARE**, by Thomas L. Barton and Dilip D. Kare (both of University of North Florida), consists of an open-ended, easy to use financial statement analysis tool that is pre-programmed to include formulas and financial data from the Analytical Applications Cases in the textbook.
- **TEACHING TRANSPARENCIES**, by Shirley Glass (Macomb Community College) and Sharyll A. B. Plato (University of Central Oklahoma), are 100 color transparencies that include additional instructional material and exhibits from the textbook.
- **PRESENTATION SOFTWARE** contains all the teaching transparencies on disk, as well as additional interactive displays for the electronic classroom.
- **INSTRUCTIONAL VIDEOS**, produced by Pennsylvania State University, provide additional instruction for students who missed a class or are confused by a certain point.



Ancillaries Provided as
Master to Instructor
for Duplication and
Distribution—Free
upon Adoption

For the Student

- **TEST RESOURCE MANUAL**, prepared by the textbook authors, contains more than 2,500 items keyed to chapter objectives. They include true/false and multiple-choice questions and several problems for both chapters and appendixes. The Test Resource Manual also contains the **ACHIEVEMENT TESTS**, which are available in two parallel sets. Tests are ready for duplication and distribution to students. These provide a quick alternative to constructing a customized test.
- **EXAMASTER COMPUTERIZED TEST BANK** also contains editable Achievement Test files for more customized testing.
- **REQUESTEST**. Call a toll-free number to order test masters through the HBJ RequesTest service. Allow 48 hours for compiling the test in addition to first-class mail delivery. RequesTest service and software support are available Monday through Friday, 9 A.M. to 4 P.M. (Central Time) for questions, guidance, or other help.
- **TEMPLATE SOFTWARE**, by Kent Finkle, contains data for use in solving identified problems in the text. This template can be used with Lotus 1-2-3 or a compatible spreadsheet program. A master disk will be provided to instructors upon adoption for duplication and distribution to students.
- **GENERAL LEDGER SOFTWARE**, by Leon Hanouille (Syracuse University) and John Jay Cappy, allows students to solve identified problems in the text. This closed-ended package will demonstrate for students the potential applications of general ledger software. A master disk will be provided to instructors upon adoption for duplication and distribution to students.
- **MICROSTUDY+**, the computerized study guide, is an interactive tutorial program that reinforces concepts learned in the text and allows students to identify areas requiring additional study. A variety of question types is included.
- **STUDY GUIDE**, by Imogene A. Posey (The University of Tennessee), includes a brief chapter summary highlighting key concepts, a more detailed chapter review organized by chapter objectives, and a wide variety of questions and exercises. Every chapter includes 10–15 true/false questions, 10–15 multiple-choice questions, 10–15 completion items, 10–12 matching items, and exercises, with working papers, keyed to chapter objectives. Answers to exercises also show in step-by-step fashion how to solve similar exercises and problems. It is available in two volumes.
- **WORKING PAPERS**, in two volumes, are available for all exercises, alternate exercises, problems, alternate problems, and cases. Often an exercise and its alternate exercise can use the same working paper; in these situations, only one set of forms is provided.
- **PRACTICE SET WITH BUSINESS PAPERS**, “Travis Apparel Shop,” addresses the basic accounting steps using a sole proprietorship. This revised practice set includes source documents such as invoices, checks, and receipts. Working papers are included as well. Approximately 18–20 hours are required for completion.

- **COMPUTERIZED PRACTICE SET A** and **COMPUTERIZED PRACTICE SET B**, by Leon Hanouille (Syracuse University) and John Jay Cappy, contain general ledger software designed to allow students to concentrate on accounting principles rather than clerical work, allowing faster and easier solution of the manual practice sets.
- **PRACTICE SET A**, “Let There Be Light,” by Ron Burnette (Macomb Community College) and the textbook authors, covers the basic steps in the accounting cycle using a sole proprietorship business that sells light fixtures. Approximately 15–18 hours are required for completion.
- **PRACTICE SET B**, “In’ Frequencies, Inc.,” by Ron Burnette (Macomb Community College) and the textbook authors, addresses the basic accounting cycle for a corporation. Approximately 15–18 hours are required for completion.
- **MONOPOLY GAME PRACTICE SET**, by W. Robert Knechel (University of Florida), requires students to work in groups using a Monopoly game (not included). Various assignments address the accounting cycle, cash flow analysis, and financial statement analysis.
- **COMPUTER RESOURCE GUIDE**, by John W. Wanlass (DeAnza College), reinforces student understanding of accounting procedures and the benefits of a computerized general ledger accounting system. The guide contains problems and a practice set, in addition to a general ledger system and spreadsheets in one package. The general ledger software is powerful enough to handle the practice set in the student manual as well as other practice sets. The section on electronic spreadsheets includes an introduction to Lotus 1-2-3. Spreadsheet templates allow students to work selected problems, with alternate problems suggested for further work. No prior computer training is required. Instantaneous menu accessing, logical menu structure, and on-line help ease student use.
- **ANALYTICAL APPLICATION SOFTWARE**, by Thomas L. Barton and Dilip D. Kare (both of the University of North Florida), can be used to analyze financial data using the 20 financial ratios and other analytical tools presented in the textbook. It is especially useful in solving the Analytical Application Cases in Chapters 1–19. Ratio analysis and “what if” calculations can be performed and results can be displayed and printed both graphically and numerically to show change over time or comparison between companies. A complete help screen is included in each module. This software is available as an option packaged with the textbook.

ACKNOWLEDGMENTS

We are especially grateful to the following for their contributions to the supplements for the Sixth Edition: Thomas L. Barton (University of North Florida); Sandra Bitenc (Texas Christian University); Ronald Burnette (Macomb Community College); John Jay Cappy (Cappy Corporation); Kent Finkle; Shirley Glass (Macomb Community College); Leon Hanouille (Syracuse University); W. Robert Knechel (University of Florida) Dilip D. Kare (University of North Florida); Richard Metcalf (University of South Dakota); Sharyll A. B. Plato (University of Central Oklahoma); Imogene Posey (The University of Tennessee); Richard S. Rand (Tennessee Technological University); and John W. Wanlass (DeAnza College). We give a special thanks to Katherine Terrell (University of Central Oklahoma) for her work on Appendix J; Lynn Mazzola Paluska (Nassau Community College) for her assistance with the ethics cases, and to David Ravetch (University of California, Los Angeles) for his work on Appendix G. We owe a large debt of gratitude to the many reviewers whose suggestions have contributed to the improvements contained in the Sixth Edition. Among the dedicated teachers and educators whose advice made this revision possible are

John Alcorn, Morehead State University
Marilyn Allan, Central Michigan University
John Arnsperger, Red Rocks Community College
Melody Ashenfelter, Southwestern Oklahoma State University
Eddy Birrer, Gonzaga University
Sarah Brown, University of North Alabama
Nancy Boyd, Middle Tennessee State University
Judith Cook, Grossmont College
Clifford Cox, University of Alaska—Fairbanks
Rosemary Daniels, Utah State University
Larry Davis, Southwest Virginia Community College
Charles Erickson, Carroll College
Clyde Galbraith, West Chester University
Daniel Galvin, Diablo Valley College
Susan Garr, Wayne State University
Shirley Glass, Macomb Community College
Gloria Grayless, Sam Houston State University
Connie Hall, East Central Oklahoma State University
Marcia L. Halvorsen, University of Cincinnati
Marie Hardink, Anne Arundel Community College
Sara Harris, Arapahoe Community College
Nabil Hassan, Wright State University
Sue Haygood, Auburn University
Thomas Hilgeman, St. Louis Community College at Meramec
Anita Hope, Tarrant County Junior College

Jean Marie Hudson, Lamar University
Harry Huges, University of Tennessee
Rhonda Hulkonen, University of South Dakota
Fred Jex, Macomb Community College
Stephen Johnson, Griffin College
Nancy Kegelman, Brookdale Community College
Joyce Lockman, Jackson Community College
Al McKinnie, Northeast State Technical Community College
Frank Minter, Samford University
Marilyn Okleshen, Mankato State University
Kay Pitt, Northern Arizona University
Olga Quintana, University of Miami
David Ravetch, University of California, Los Angeles
Diane Roberts, California State University at Fullerton
E. Thomas Robinson, University of Alaska at Fairbanks
Louis Rosamilia, Hudson Valley Community College
Fabiola Rubio, El Paso Community College
David Sayers, Auburn University at Montgomery
Edward Scott, Olympic College
Margaret Shelton, University of Houston
David Skougstad, Metropolitan State College of Denver
Jane Stockard, Georgia College
J. B. Stroud, Nicholls State University
Larry Sundby, St. Cloud State University
Richard Sweet, University of South Alabama
Katherine Terrell, University of Central Oklahoma
Robert Terrell, University of Central Oklahoma

Dennis Tiger, Indiana University of Pennsylvania
 Brad Trettin, Truckee Meadows Community College
 Gerald Unruh, Arapahoe Community College
 Ronald Walters, Aurora Community College
 Karen Walton, John Carroll University

Paul Wheaton, University of Michigan, Dearborn
 L. K. Williams, Morehead State University
 Roger Woods, Northwest Missouri State University
 Marilyn Young, Tulsa Junior College

The authors wish to thank the following persons who supplied helpful information and insights by responding to a survey on the Fifth Edition of Principles of Accounting:

Stuart Arends, Madonna University
 Tom Bartlett, University of Alaska—Fairbanks
 Martin Bartel, St. Vincent College
 Carie Bamberg, Birmingham Southern College
 William H. Barnett II, Walters State Community College
 J. W. Bilsborrow, Principia College
 Kenneth Block, Macomb Community College
 Frank Bucci, Ursinus College
 C. Chanter, Grand Rapids Community College
 Richard Czarnecki, University of Michigan, Dearborn
 Elvis Davis, Lamar University
 Robert J. DePasquale, St. Vincent College
 Greg Ellis, Keller Graduate School
 Baruch Englard, College of Staten Island
 Pat Evens, Auburn University
 M. A. Fink, University of Alaska—Fairbanks
 R. K. Fleischman, John Carroll University
 Thomas Grant, Kutztown University
 Peter Grierson, Slippery Rock University
 R. Hardcastle, Pacific Union College
 Thomas C. Holowaty, St. Vincent College
 Jean Marie Hudson, Lamar University
 Fred R. Jex, Macomb Community College
 R. W. Jones, Lamar University
 Royal E. Knight, University of North Alabama
 G. D. Lorenzo, Gloucester County College
 J. Thomas Love, Walters State Community College

William Mayfield, Northwest Oklahoma State University
 Florence McGovern, Bergen Community College
 Heidi Meier, Cleveland State University
 Janet E. Mercincavage, King's College
 Susan Murphy, Aquinas College
 Jon Nitschke, Great Falls Vo-Tech Center
 Ruth O'Keefe, Jacksonville University
 Sharyll Plato, University of Central Oklahoma
 Dennis Ratliff, Jacksonville University
 E. Thomas Robinson, University of Alaska—Fairbanks
 James Skidmore, Grand Rapids Community College
 Jeff Spoelman, Grand Rapids Community College
 William Stevens, University of South Alabama
 LaVerne Summiel, St. Paul's College
 Richard Sweet, University of South Alabama
 Forrest Thompson, Florida A&M University
 Leon Trekell, West Texas State University
 Brad Trettin, Truckee Meadows Community College
 Marilyn Uecker, Fox Valley Technical College
 Gerald Unruh, Arapahoe Community College
 Gerald Weinstein, John Carroll University
 Harold Wente, Iowa Lakes Community College
 Paul Wheaton, University of Michigan, Dearborn
 Sam Wilson, Keller Graduate School
 Jerry L. Wood, Northern Montana College
 Peggy Wright, Averett College

We wish to thank the members of the book team at The Dryden Press for their tireless efforts on behalf of the project: Tim Vertovec, acquisitions editor; Craig Avery, developmental editor; Cheryl Hauser, project editor; Diane Southworth, production manager; Linda Wooton Miller, designer; Mark Breksford and Sheila Shutter, permissions editors; Tim Westmoreland, ancillary project editor; Eddie Dawson, production coordinator; and Traci Keller, assistant editor.

ERNEST I. HANSON
 JAMES C. HAMRE
 PAUL H. WALGENBACH