

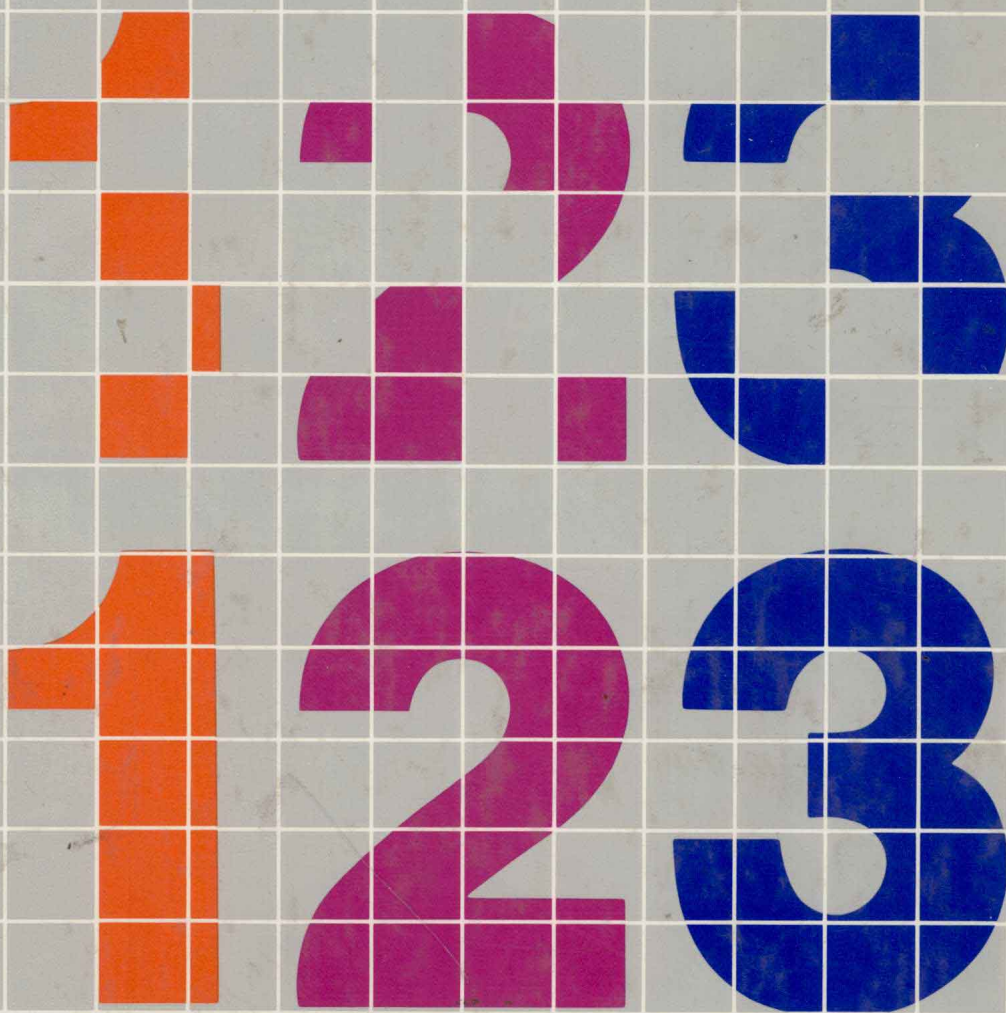
Hermanson

Edwards

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Accounting Principles

Revised Edition



Accounting Principles

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Preface

Accounting Principles is intended for use in first-year introductory accounting courses. The text includes both financial and managerial accounting topics. The authors recognize that students taking the first-year accounting course seek various careers. Some may choose accounting as a major, while others will choose another aspect of business or a nonbusiness major. All of these students will find the ability to use and interpret accounting information valuable both in their careers and in their personal lives.

Accounting Principles serves as a foundation for subsequent courses in accounting and business. The authors assume that students using this text will have a limited understanding of business concepts. Thus, new terms and concepts are defined and fully explained when introduced.

Features of the revised edition

1. A portion of Chapter 1 in the first edition is an *introduction* to the entire text in the revised edition. The purpose is to shorten Chapter 1 and to give the instructor material to discuss on the first day of class.
2. The first six chapters are thoroughly rewritten and reorganized. A *building-block approach* is used in presenting the accounting cycle. For example, information for the same company is used in Chapters 2, 3, and 4.
3. *Two comprehensive review problems* are included, one after Chapter 4 and one after Chapter 6. These comprehensive problems allow the student to review all concepts covered to that point by working the problems.
4. All discussion of adjusting entries is delayed until Chapter 3.
5. The *closing process* in Chapter 5 is simplified by treating the “closing” of all merchandise-related accounts as part of the closing process rather than as adjusting entries.

6. All discussion of bad debts expense and interest computation on notes is delayed until Chapter 8.
7. All discussion of *perpetual inventory* procedure is delayed until Chapter 9.
8. The material on accounting theory and *inflation accounting* is covered at a level appropriate for the first-year course and is presented in Chapter 13.
9. The statement of changes in financial position material is revised and clarified to emphasize the cash definition of funds, a concept which is coming into widespread usage.
10. Chapter 21 on manufacturing accounting is thoroughly revised and includes a work sheet using periodic inventory procedure.
11. The managerial portion of the book is reorganized to make it more teachable.
12. All coverage of income taxes now appears in Chapter 28. Features of the 1981 Economic Recovery Tax Act and the 1982 Tax Equity and Fiscal Responsibility Act are included.
13. A new appendix on *international accounting* appears at the end of the text.
14. All *questions, exercises, and problems* have been traced back to the text to ensure that nothing is asked of a student which does not appear in the preceding portion of the text.
15. *Chapter goals* appear at the beginning of each chapter.
16. The terms used in the text are the most commonly used accounting terms, such as balance sheet, income statement, net income, Income Summary account, and cost-volume-profit.
17. *Demonstration problems* and *business-decision problems* are included in each chapter.
18. Fresh problems have been added to each chapter. *Series A* and *Series B problems* in each chapter cover common concepts but are not always identical in format.
19. Many of the above features resulted from following the advice of numerous reviewers who were retained by the publisher to comment on the teachability of the previous edition.
20. A professional editor with an accounting background thoroughly edited the entire manuscript.

Supplementary materials—learning aids for students

Study guides. Two study guides are available, one for each half of the book. The study guides were developed by Professor Gayle Rayburn, Memphis State University. Included for each chapter are chapter goals; reference outline; chapter review; matching, true-false, multiple-choice, and fill-in-the-blank questions; demonstration problem; exercises; and answers.

Working papers. Two sets of working papers are available for working assigned problems and business decision problems, one set for each half of

the text. The working papers in many instances are partially filled in to reduce the “pencil pushing” required to solve the problems. *The format and spacing used in the working papers are identical to the Instructor’s Solutions Manual and to the transparencies.* This feature makes it easier to compare students’ solutions to the authors’ solutions.

Practice sets. Four practice sets are available. Practice Set I, developed by Professor Margaret Mills, Tidewater Community College, Virginia, illustrates special journals and includes a work sheet for a retailing company. Practice Set II illustrates the accounting system used by a manufacturing company and was developed by Herbert A. O’Keefe, Georgia Southern College. Practice Set III illustrates the use of business papers for a retailing company. And Practice Set IV is a microcomputer practice set which can be used with the Apple and IBM personal microcomputers. Practice Sets I, III, and IV may be used any time after Chapter 8 has been covered. Practice Set II may be used any time after covering Chapter 21.

Check figures. The list of check figures gives key amounts for the A and B Series problems in the text. Students can determine whether they are “on the right track” when working a problem by comparing their solutions with the key amount given for a particular problem.

Supplementary materials—teaching aids for instructors

Instructor’s guide. The instructor’s guide is a new feature with this edition. For each chapter, the guide contains a summary of major concepts; chapter goals; lecture notes; and the estimated time, level of difficulty, and content of exercises and problems.

Instructor’s solutions manual. The instructor’s solutions manual contains sample syllabi for both quarter- and semester-basis courses. For each chapter the manual contains an outline and answers to the questions, exercises, Series A and B and comprehensive review problems, and business decision problems. The spacing and format are identical to the work papers used by the students.

Transparencies. Very clear transparencies of solutions to problems are available to adopters. These transparencies can be especially useful when covering problems involving work sheets and in large classroom situations.

Achievement tests. Three series of achievement tests—A, B, and C—are available in bulk to adopters. Each series consists of six one-hour exams and two two-hour final exams. In each series, three of the one-hour exams and a final exam cover Chapters 1–14, and the other three one-hour exams and a final exam cover Chapters 15–28. All questions in the exams are multiple-choice for ease in grading.

Examination booklet. An examination booklet contains true-false questions, additional multiple-choice questions, and short problems for each chapter. The true-false questions are ideal for quizzes. The multiple-choice questions may be used to freshen up the achievement tests, and the short problems can be used to supplement or replace the multiple-choice questions on the achievement tests for those who object to the sole use of such questions.

Computer data bank of examination questions. A test generator software package which can be used to prepare examinations by selecting questions on a random basis is available to all adopters. A data base of approximately 2,000 multiple-choice questions is included.

We are indebted to many individuals for reviewing the manuscript of the revised text. In addition to those on the acknowledgments page, we are especially indebted to colleagues and students at our respective universities for their helpful suggestions.

**Roger H. Hermanson
James Don Edwards
R. F. Salmonson**

Note to students

Letricia Gayle Rayburn has written a two-volume Student Study Guide to assist you in understanding the material in this text. Each chapter of the Study Guide is keyed to a chapter of the text and provides a reference outline, a detailed chapter review, matching questions containing important new terms and concepts, demonstration problems and answers, true-false questions, completion questions, multiple-choice questions, and exercises. Answers to all questions are included in the Study Guide to provide you with immediate verification of your responses. Explanations are also given for the answers to the true-false and multiple-choice questions. This Student Study Guide, published by Business Publications, Inc., is available through your college bookstore. If it is not in stock, please ask your bookstore manager to order a copy for you.

**R. H. H.
J. D. E.
R. F. S.**

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The publisher owes a debt of gratitude to the late Dr. Rita Huff of Sam Houston State University for her professional help and her personal friendship. She profoundly influenced those who knew her.

R. H. H.
J. D. E.
R. F. S.

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Accounting Principles

Part One

Introduction