



FINANCIAL ACCOUNTING

COPELAND
DASCHER
DAVISON

**FINANCIAL
ACCOUNTING**

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PREFACE

Financial Accounting is an introductory level textbook, appropriate for a one-semester or a two-quarter elementary accounting course. No previous exposure to the material is assumed and the book is intended to be used alone or enriched with appropriate supplemental materials at the option of the instructor.

This book does not make a radical departure from the traditional approach to financial accounting. Instead, it focuses on the underlying theory of the discipline and enhances the presentation with an organization and approach that match the developing thrust of current practice. Consistent with this organization is the goal of presenting concepts and exploring underlying theory through discussion and generalized examples. The text is divided into five major sections.

Section one presents an introduction to accounting and is intended to orient the student. It begins by emphasizing the importance and usefulness of financial statements and develops a basic set—including balance sheet, income statement, and funds flow statement—from a realistic example. In essence, this establishes parameters for the book and provides a context for the remaining chapters.

Section two leads into the fundamentals of the accounting process. The debit/credit, mechanism, the journal, and the ledger are introduced and explained. This section uses procedural illustrations to view accounting as a processing system, developed and functioning in a manner parallel to other information systems.

Section three views the accounting process in the context of the income statement. At this point, the text begins to emphasize income determination.

Section four deals with particular issues involved in recording and reporting asset, liability, and equity items. These chapters, while developed with a recognition of the importance of reporting earnings, provide specific treatments on subjects that affect particular transaction-based accounts.

Section five presents topics that can enhance the student's grasp of accounting. The capstone of this section is a chapter dealing with the total financial report, including footnotes, auditor's opinion, SEC disclosures, and the conceptual framework project. Written at an understandable level, this section serves as a bridge to allow the student to enter the total context of the development, environment, and future of the accounting profession.

Although the chapters are organized on the basis of subject content, at-

tion has been given to the amount of material included. Several chapters are subdivided into two or more *parts* to provide flexibility of coverage. This division into parts also enables the instructor to continue the pace of assignments at a constant rate.

The order of chapter sequence has been developed to reflect the structure of the instructional goal. Other arrangements and sequences may be developed by instructors without altering the flow of the material. For example, some users have suggested that Chapter 8 could be taught immediately after Chapter 6. Individuals can structure chapter assignments to meet goals of particular courses or to accommodate professorial individuality. This book has been prepared to complement the instructor, not to restrict or inhibit teaching style in any way.

Each chapter is accompanied by a *supplementary discussion*. They provide an expanded set of tools that may be used at the instructor's option without affecting the continuity of coverage. The material is presented in a *narrative form* and is intended to enrich the student's understanding of accounting and its business environment. Supplementary discussions range from accounting history, through inventory control systems, to nonprofit organizations and international accounting.

Supplementary discussions are positioned in the text on the basis of one of two criteria. They may support or logically build on the material presented in the chapter. Alternatively, they may present material at a place in the text where a student's exposure to accounting is sufficient to benefit from the discussion.

Assignment materials are important elements of introductory textbooks. The assignment materials here are divided in *questions*, *exercises*, and *problems* and are provided in sufficient numbers to ensure adequate selection. Questions are designed to focus on concepts, definitions, and descriptions. Exercises generally require data-manipulating steps that relate to chapter illustrations in a straightforward manner. Problems are based on the textual material but present reasonably complex analytical or discussion situations. All of the assignment materials have been class tested to ensure their reliability and relevance. Care has been taken to guarantee that each point covered in the chapter is reinforced by at least three assignment items. While appropriate for the level of the text, the assignment items draw on realistic situations and develop problems from pertinent data. Several questions appearing in the Uniform CPA Examination and the Certificate in Management Accounting Examination have been included in the assignments. In all these cases, the problems have been specifically adapted to this book but with review and modification of some requirements in terms of the chapter coverage.

Several learning materials are available to aid instructors and students using *Financial Accounting*. A *Student Study Guide to Accompany Finan-*

cial Accounting has been prepared by Professor Fred Jacobs of the University of Tennessee. A *Practice Set* has been developed by Professor Stanley Kratchman of Texas A&M University. *Working Papers* and *Check Figures* are also available. The *Instructor's Manual* contains extensive teaching notes for each chapter and a set of simple demonstration problems for class use. *Transparencies* for all Problem Solutions and Achievement Tests, are also available to users.

Throughout this book, an attempt has been made to explicitly recognize that accounting is practiced by both men and women and that business and commercial ventures attract competent and capable individuals without regard to sex. In some discussions, the impersonal pronouns *he*, *him*, and *his* have been used for reasons of style and accepted English usage. In all these cases, the terms *she*, *her*, and *hers* obviously could be substituted.

We are indebted to many people for their ideas and assistance in preparing this book. The following professors made very constructive and helpful comments on earlier drafts of the manuscript:

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Many students read the manuscript and worked the problems to ensure that they were readable and as free as possible from error. Our students also contributed ideas and materials that helped in revising manuscript chapters and preparing problems. Appreciation goes to the American Institute of Certified Public Accountants and the National Association of Accountants for their permission to quote from their copyrighted publications. Material from the Uniform CPA Examination, copyright © by the American Institute of Certified Public Accountants, Inc., is adapted with permission. Material from the CMA Examination, copyright © by the Institute of Management Accounting, is adapted with permission. Although we have not cited authors whose original contributions are so widely felt that they are now an integral part of accounting practice, needless to say, we owe them our thanks. Finally, we welcome comments from the users of this book.

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