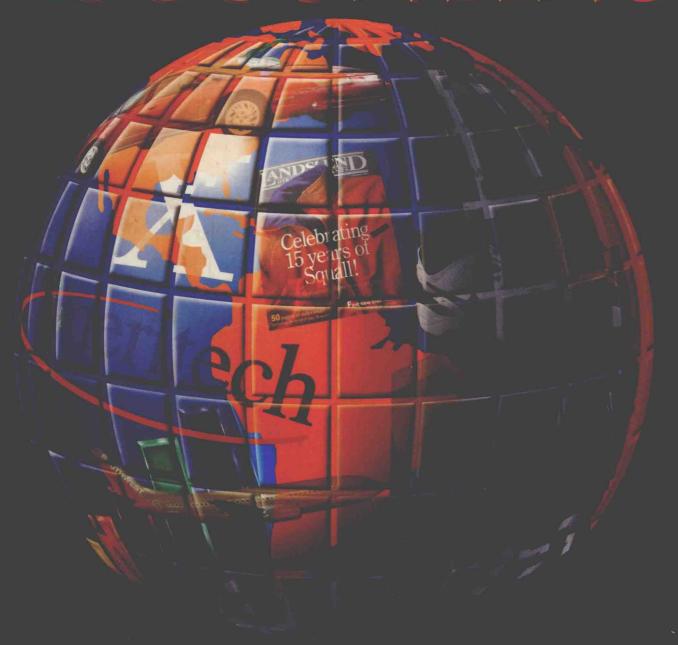
## WARREN REEVE FESS

## FINANCIAL & MANAGERIAL

## ACCOUNTING



6th EDITION

6TH EDITION

## I inancial & Managerial Accounting

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Cover and Internal Design: Lou Ann Thesing

Cover Illustration: © 1997 Rob Schuster, product photography by Joe Higgins

Internal Illustrations: Rob Schuster and GGS Information Services

Photo Editor: Cary Benbow

Photo Researchers: Feldman & Associates, Inc. Media and Technology Editor: Diane M. Van Bakel

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Copy Writer, Preface: Steve Mott, Words & Occasional Wisdom

Cover Illustration Acknowledgments:

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#### Library of Congress Cataloging-in-Publication Data

Warren, Carl S.

Financial & managerial accounting / Carl S. Warren, James M.

Reeve, Philip E. Fess. — 6th ed.

p. cm.

Includes index.

ISBN 0-538-87354-X (alk. paper)

1. Accounting. 2. Managerial accounting. I. Reeve, James M.,

II. Fess, Philip E. III. Title.

HF5635.W27 1998

98-18409

657—dc21

CIP

ISBN: 0-538-87354-X

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

Printed in the United States of America

## Innovation Drives Success

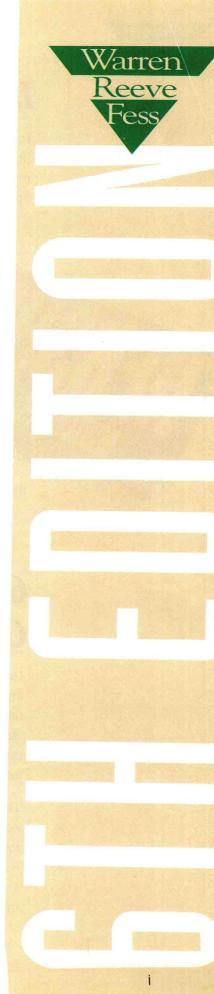
## Leading With Imagination

Innovation

The ability to address problems with imaginative new solutions. It's a special quality that has given rise to some of today's most respected and fastest growing

companies. On the cover of this 6th edition of *Financial & Managerial Accounting*, we pay tribute to a number of firms that lead their respective markets through innovation and creativity. These firms, never content to do things "the same old way," have challenged long-held conventions in their industries. For instance, Saturn has created an entirely new and successful model for buying and owning a car, one based on trust, not intimidation, between dealer and buyer.

Financial & Managerial Accounting continues to be an innovative leader as well. As technology and other influences reshape the business world, this text continues to present innovative responses for the accounting classroom. The new sixth edition extends that tradition with a number of important improvements that will enhance the teaching/learning experience for both students and instructors.





## Innovation for the Market

Just as Gateway 2000 and Toys R Us have become successful by understanding the customers they serve, this text responds directly to the needs of the market. Changes in the business climate necessitate a text with a corporate approach and a solid 50-50 balance between financial and managerial content. Students need this balance to prepare for business

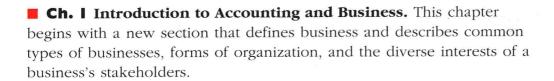
careers where they will need to understand the importance of accounting information in managerial decisions, as well as how the information is recorded and reported.

While the market need for a 50-50 book is relatively new, the requirement for effective pedagogy is not. Financial & Managerial Accounting, 6e, is the product of a proven author team. The pedagogy, content, and style of this text have been tuned and refined to help instructors present the material effectively, and to ensure that students understand and retain it. It's an approach that has stood the test of time while staying current with all new subject matter in both financial and managerial disciplines.

## Guided by the Experts: Content Changes

Extensive feedback from current users, independent reviews by educators, and market research ensures that the text presents the essential facets of financial and managerial accounting. As a result, *Financial & Managerial Accounting*, *6e*, focuses squarely on the business of business—how accounting contributes to effective decision-making—with reduced emphasis on complex accounting rules.

This is truly a text in tune with the needs of students as they enter the business world. For instance, the text is designed with an important reality in mind–that 80% of the students in accounting courses are non-accounting majors. A student need not be headed for a career in accounting to find great benefit in *Financial & Managerial Accounting*. Consider these changes in content and organization:





## ■ **Ch. 3** The Matching Concept and the Adjusting

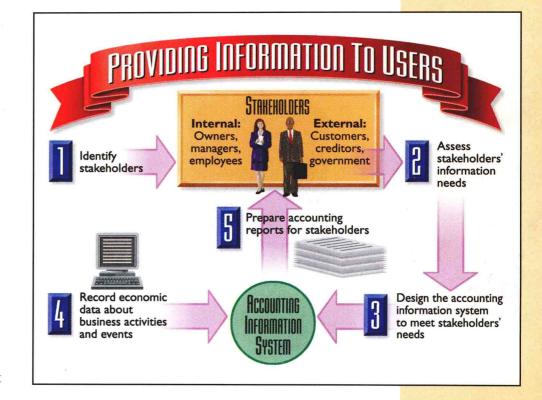
**Process.** A new table summarizes each type of adjustment, adjusting entry, and the financial statement effect of omitting an adjusting entry. The discussion of adjustments ends with the adjusted trial balance, rather than a partial work sheet.

### ■ **Ch. 4** Completing the Accounting

**Cycle.** The work sheet is now introduced and completed in this

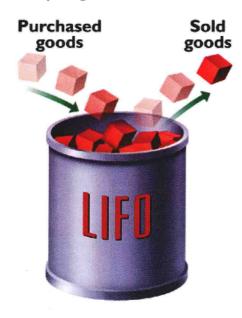
chapter. Lines on the work sheet illustrations are numbered to assist you in your classroom presentation.

- **Ch. 5** Accounting for Merchandising Businesses. The discussion of perpetual inventory systems gives students a clear understanding of inventory accounting by drawing connections to buying groceries or fast food meals. Purchases are recorded at gross rather than net amounts.
- **Ch. 6** Accounting Systems, Internal Controls, and Cash. An illustration of the revenue and collection cycle in a computerized accounting system, using QuickBooks,® has been added.
- **Ch. 7** Receivables. The discussion of discounting notes receivable was moved to a chapter appendix. The discussion of temporary investments was moved to a later chapter and combined with the discussion of long-term investments.





■ **Ch. 8 Inventories.** A new section introduces the concept of inventory cost flows without reference to the perpetual or periodic systems. The journal entries in a perpetual system are presented alongside the inventory subsidiary ledger to illustrate the FIFO and LIFO flow of costs.





- **Ch. 9** Fixed Assets and Intangible Assets. Gains and losses on exchanges of fixed assets are discussed only from a GAAP viewpoint.
- Organization, Capital Stock
  Transactions, and Dividends. A
  new section at the beginning of the
  chapter compares the characteristics
  of corporations with proprietorships
  and partnerships.
- **Ch. 12** Corporations: Income and Taxes, Stockholders' Equity, and Investments in Stocks. A new section on reporting stockholders' equity was added. The discussion of appropriated retained earnings and prior-period adjustments was significantly reduced. A new section covering short-term investments in stocks was added at the end of the chapter. The discussion of international transactions was moved to an appendix.
- Managerial Accounting and Job
  Order Cost Systems. Two chapters
  from the previous edition have been
  combined into one new chapter. This
  combination is the result of moving the
  introduction of cost and manufacturing
  terms to other appropriate chapters.
- **Appendix F:** Foreign Currency Transactions. This material, formerly included in a chapter, has been converted to an appendix.



## Leading by Listening: Special Features

The distinguished team of users and reviewers guided us to numerous format and feature changes for the 6th edition. Starting with a dynamic and colorful new design, the resulting text is perfect for a broad spectrum of students and classes. Among the feature changes that will help students make the connection between accounting and business are the following:

**Setting the Stage.** This feature (formerly You and Accounting) at the beginning of each chapter relates students' personal experiences to the chapter's topic. The immediate relevance of these passages provides excellent motivation to read on.

**NEW! Business on Stage.** This brief presentation of a business concept introduces students to the business context in which accounting functions.

**Intermission.** This feature (formerly Using Accounting To Understand Business) uses excerpts from current media coverage to demonstrate how managers and others use accounting information. Pieces from *The Wall Street Journal, Forbes, Business Week*, and other periodicals help students see the real world application of chapter subjects.

**NEW!** Encore. At the end of each chapter, the text presents a brief, interesting narrative about the success or failure of a real business.

Other features that will help students understand accounting as well as the way business works are:

**NEW! Questions & Answers.** At appropriate points in the margin of the text, questions with answers are provided to help students check their understanding of the material they have just read.



NEW! Points of Interest. These margin notes offer insight into subjects of special interest to students, such as careers and current events.

**NEW! Summaries.** Brief summary

statements within each chapter bring special attention to important points.

**NEW!** Business Transactions. In Chapters 1 and 2, students are introduced to business transactions through non-business events that help them better understand the nature of transactions.

Accounting is an information system that provides reports to stakeholders about the economic activities and condition of a business.



NEW! Real World Notes. J.C. Penney Co. and General Electric are just a few of the familiar examples that provide a closeup look at how accounting operates in the marketplace. These examples are highlighted in the margin of the text:





AT&T

Campbell Soup Company

Coca-Cola Enterprises Inc.

**Delta Air Lines** 

Ford Motor Co

Gillette

Hershey Foods Corp.

**Hewlett Packard** 

Mercedes-Benz

**PepsiCo** 

**UPS** 

NEW! Financial Analysis and Interpretation. At the end of each financial chapter, a section describing an important element of financial analysis helps students understand the information in financial statements and how that information is used

## Student Success Starts Here: End-of-Chapter Excellence

This edition takes students well beyond procedures into truly pertinent applications. Consider the following tools that will help students succeed in the business world:

- Receive Payments					
Customer Payment	r	DATE 03/28/00	BALANCE 5,200.00		
Customer:Job Handler Co.	±	A P	mount <u>2</u> mt. Method _	2,200.00	
Mello	WATER WINE		heck No	- National States of Market Co.	
Group with other undeposited funds  ■ Deposit To: First National Bank					
Existing Credits 0.00 Apply Existing Credits?		Total to Apply Unapplied Amount		2,200.00 0.00	
Invoices paid (with this payment) and those still outstanding					
✓ Date Type Number	Orig. Amt.	Disc. Date	Amt. Due	Payment	
✓ 03/02/00 Invoice 515 03/27/00 Invoice 518	2,200.00 3,000.00		2,200.00 3,000.00		
		Totals	5,200.00	2,200.00	

work skills at the same time.

- **NEW! QuickBooks Problems** at the end of Chs. 6, 7, 10, 14, and 18 can be solved using the invoice/billing features in QuickBooks.
- Critical-Thinking and Decision-Making Activities. Students need to develop analytical abilities, not just memorize rules. These activities focus on understanding and solving issues. Some are presented in dialogue format-a conversation in which students can "observe" and "participate" when they respond to the issue being discussed.

#### NEW! Group Learning **Activities** let students

learn accounting and business concepts while building team-







■ NEW! Internet Activities launch students into accounting-related areas of the Worldwide Web's ever-expanding universe.

**"What Do You Think?"** These exercises and activities take students beyond the scope of the text to apply newly learned material.





**"What's Wrong With This?"** These innovative exercises challenge students to analyze and discover what is *wrong* with a financial statement, a report, or a management decision.

■ Communications Items. These activities help students develop communication skills that will be essential on the job, regardless of the fields they pursue.

Accounting, perhaps more than any other discipline, is a field that must be practiced to be understood and retained. The quantity and quality of the following end-of-chapter resources have always been distinguishing characteristics of *Financial & Managerial Accounting:* 

Continuing Problem in Chs. 1-4. Here's a great opportunity for students to practice what they've learned. As they study each step of the accounting cycle, they can follow a single company–Music Today–from its transactions to the effect of those transactions on its financial statements.



- Illustrative Problem and Solution. A solved problem models one or more of a chapter's assignment problems, helping students make the most of the chapter and end-of-chapter materials.
- NEW! Self-Examination Questions now include a matching activity to help students review and retain terms and definitions.
- **Exercises.** An average of 20 exercises at the end of each chapter–more than any other text on the market–can be assigned or used as examples in the classroom. Each exercise focuses on only one specific chapter objective.
- **Problems.** Each chapter includes two full sets of problems for use as classroom illustrations, for assignments, for alternate assignments, or for independent studying. This edition features shortened problems to provide better focus on key chapter topics.
- **Comprehensive Problems.** At the end of Chs. 4, 5, 10, and 12, cumulative learning applications integrate and summarize the concepts of several chapters to test students' comprehension. Two of these problems can be solved using the debit/credit features of QuickBooks.



## A Collaborative Success: Comprehensive Resource Package

We've designed our entire supplement package around the comments instructors have provided about their courses and teaching needs. These comments have made this supplement package the best in the business.

Available to Students-Because every class, instructor, and student has different needs, Financial & Managerial Accounting, 6e, offers a broad range of supplements. Both print material and easy-to-use, affordable technologies

> help students succeed in the course and in the business world. Some of these supplements are:

**Working Papers.** The traditional Working Papers are available both with and without problem-specific forms.

Working Papers Plus, prepared by John Wanlass of DeAnza College. This alternative to traditional working papers integrates the chapter learning objectives and glossary with forms for solving all textbook exercises and selected textbook problems.

**Study Guide**, prepared by Jim Reeve and Carl Warren. The Study Guide includes quiz and test tips and multiple choice, fill-in-the-blank, and truefalse questions with solutions. The Study Guide is packaged with a disk that allows students to score their own practice tests.

■ General Ledger Software, prepared by Dale Klooster and Warren Allen. This best-selling educational general ledger package (formerly Solutions

Software) is enhanced with planning tools, a Journal Wizard, more tool tips, a new colorcoded system, and additional problems for the managerial chapters. Solving end-of-chapter problems, comprehensive problems, as well as practice sets is as easy as clicking icons with a mouse.

st all journuts to the accounts of the balance owes, seeived cash from Hardy Co, for the balance owes, sued Invoice No. 720 to Hardy Co., \$2,960.

10 3 1 journals to the accounts receivable leager.

Company.

Post all journals to the accounts receivable ledger

til journals to the accounts receivable leager.

ed cash from Yamura Co. for the balance due on i of June 15.
Received cash from Hardy Co. for invoice of June 17.
Received rose from 12.1 to AGI Co., \$1,600.
Received cash sales for the second half of the month, \$11,340.
Received \$4,000 of supplies for services rendered to Breck
Company.



VIII

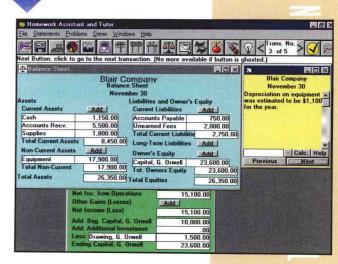


■ Homework Assistant and Tutor (HAT), prepared by Ray Meservy of Brigham Young University. This user-friendly software for Windows visually

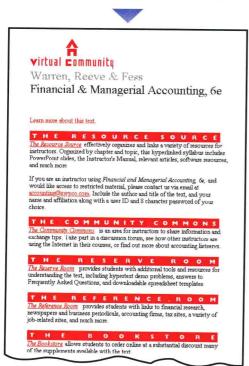
teaches students the relationships between journals, ledgers, and financial statements as they solve selected end-of-chapter problems. A built-in tutor function includes numerous hints and help screens.

■ **Spreadsheet Applications Software.** Students can solve dozens of problems by using any of the standard spreadsheet packages, such as Lotus 1-2-3<sup>®</sup> and Excel. Alternative "what-if" scenarios are also presented and explored.

Available to Instructors—South-Western
Publishing continues to lead the field in supplements for instructors, from traditional printed materials to the latest integrated classroom technology. Among these support tools are:



■ Virtual Community—Online with South-Western. Organized by chapter and topic, this hyperlinked syllabus includes text-specific and other accounting-related resources. Most of these online resources are also available on CD-ROM. We invite you to be part of this community by sampling what we've provided and by sharing your own material, ideas, and comments with



warren.swcollege.com

your colleagues and students. Visit our discussion forum and exchange information on current developments in the profession, and share ideas on the course and curriculum.

PowerPoint™ Transparencies, prepared by John Wanlass.

PowerPoint Transparencies enhance lectures and simplify class preparation. You can also add your own custom slides, using this popular presentation package.

Instructor's Manual, Test Bank, and other traditional elements are available in separate bound volumes as well as on the instructor's CD-ROM. A wide range of writing exercises, group learning activities, demonstra-

tion problems, and accounting scenarios are included in the Instructor's Manual and the on-line Accounting Virtual Community.



## A Triumph of Teamwork: Acknowledgements

As we have described throughout this preface, this text is a tribute to the power of collaboration and collegial support. We thank the many people who have made the 6th edition a reality.

#### The following people kept diaries of their experience with the text:

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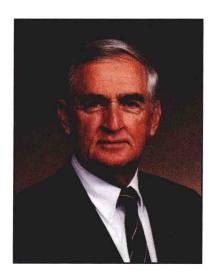
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6TH EDITION

# Inancial & Managerial Accounting



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