

I ntermediate Accounting 9e

Loren A. Nikolai John D. Bazley

中级会计学

赖红宁(暨南大学) 改编

王立彦(北京大学) 审校


高等学校会计学类英文版教材

I ntermediate Accounting 9^e

Loren A. Nikolai John D. Bazley

中级会计学

赖红宁(暨南大学) 改编
王立彦(北京大学) 审校

 高等教育出版社

图字:01-2004-6504号

Loren A. Nikolai, John D. Bazley

Intermediate Accounting, Ninth Edition

ISBN:0-324-18328-3

Copyright©2003 by South-Western, a division of Thomson Learning

Original language published by Thomson Learning(a division of Thomson Learning Asia Pte Ltd). All Rights reserved. 本书原版由汤姆森学习出版集团出版。版权所有,盗印必究。

Higher Education Press is authorized by Thomson Learning to publish and distribute exclusively this Adaptation edition. This edition is authorized for sale in the People's Republic of China only (excluding Hong Kong, Macao SAR and Taiwan). Unauthorized export of this edition is a violation of the Copyright Act. No part of this publication may be reproduced or distributed by any means, or stored in a database or retrieval system, without the prior written permission of the publisher.

本书改编版由汤姆森学习出版集团授权高等教育出版社独家出版发行。此版本仅限在中华人民共和国境内(不包括中国香港、澳门特别行政区及中国台湾)销售。未经授权的本书出口将被视为违反版权法的行为。未经出版者预先书面许可,不得以任何方式复制或发行本书的任何部分。

981-265-079-2

图书在版编目(CIP)数据

中级会计学 = Intermediate Accounting: 英文改编 / (美) 尼古拉 (Nikolai, L. A.), (美) 巴泽利 (Bazley, J. D.)

—北京: 高等教育出版社, 2005. 1

ISBN 7-04-016227-X

I. 中... II. ①尼... ②巴... III. 会计学 - 高等学校 - 教材 - 英文 IV. F230

中国版本图书馆 CIP 数据核字 (2004) 第 129548 号

策划编辑 于明 责任编辑 于明 封面设计 刘晓翔 责任印制 韩刚

出版发行 高等教育出版社
社址 北京市西城区德外大街 4 号
邮政编码 100011
总机 010-58581000

购书热线 010-58581118
免费咨询 800-810-0598
网 址 <http://www.hep.edu.cn>
<http://www.hep.com.cn>
网上订购 <http://www.landaco.com>
<http://www.landaco.com.cn>

经 销 北京蓝色畅想图书发行有限公司
印 刷 高等教育出版社印刷厂

开 本 850×1168 1/16
印 张 41.75
字 数 1 000 000

版 次 2005 年 1 月第 1 版
印 次 2005 年 1 月第 1 次印刷
定 价 45.00 元

本书如有缺页、倒页、脱页等质量问题,请到所购图书销售部门联系调换

版权所有 侵权必究

物料号: 16227-00

出版前言

自教育部在《关于加强高等学校本科教学工作 提高教学质量的若干意见》【教高(2001)4号】中提出双语教学的要求后,各地高校相继开设了一系列双语教学课程。这对提高学生的学科和外语水平,开阔国际视野,培养创新型人才起到了重要的作用;一大批教师也逐渐熟悉了外文授课,自身的教学水平和能力得到较大提高,具备国际学术思维的中青年教师脱颖而出。同时,经过近几年的双语教学实践,国外原版教材量大、逻辑不够清晰、疏离中国现实等问题也影响了双语教学的效果。因此,对外版教材进行本土化的精简改编,使之更加适合我国的双语教学已提上教材建设日程。

为了满足高等学校经济管理类双语课程本土化教学的需要,在教育部高等教育司的指导和帮助下,高等教育出版社同Thomson Learning等国外著名出版公司通力合作,在国内首次推出了金融、会计、经济学等专业的英文原版改编教材。本套教材的遴选、改编和出版严格遵循了以下几个原则:

1. 择优选取权威的新版本。在各专业选书论证会上,我们要求入选改编的教材不仅是在国际上多次再版的经典之作的最新版本,而且是近年来已在国内被试用的优秀教材。

2. 改编后的教材力求内容规范简明,逻辑更加清晰,语言原汁原味,适合中国的双语教学。选择的改编人既熟悉原版教材内容又具有本书或本门课程双语教学的经验;在改编过程中,高等教育出版社组织了知名专家学者召开了数次改编和审稿会议,改编稿征求了众多教师的意见。

3. 改编后的教材配有较丰富的辅助教学支持资源,教师可在网上免费获取。同时,改编后的教材厚度适中,定价标准较低。

由于原作者所处国家的政治、经济和文化背景等与我国不同,对书中所持观点,敬请广大读者在阅读过程中注意加以分析和鉴别。

此次英文改编教材的出版,得到了很多专家学者的支持和帮助,在此深表谢意!我们期待这批英文改编教材的出版能对我国经济管理类专业的教学能有所帮助,欢迎广大读者给我们提出宝贵的意见和建议。

高等教育出版社

2005年1月

关于本书

内容简介

本书以理论分析见长，共分五篇。第一篇系统地阐述了会计环境、财务会计的概念框架、会计概念（会计基本要素）以及会计报表的构成要素。其他四篇从四大报表的基本构成要素入手进行详细讨论，在论述具体的每个项目的会计处理时，每章前面都要对第一篇中所讨论的基本概念（报表项目）的定义和特点进行进一步的讨论，并对相关会计处理的前因后果进行深入的理论分析，从而在加深读者对相关基础概念理解的同时，掌握有关实际问题的会计处理手段。作者还专门提到会计环境中的道德问题，以及在多变的市场环境中，会计人员应以解决问题为导向，具备创新和批判性的思想。

本书语言流畅，用词简练，知识点全面，相关的例题深入浅出，非常适合作为会计学专业“中级财务会计”课程教材，也可作为MBA以及经济管理专业的研究生了解西方财务会计体系的参考书。

作者简介

Loren A. Nikolai, 博士、注册会计师，美国密苏里州立大学哥伦比亚分校会计学教授，曾担任美国会计学院联盟（FSA）主席，美国会计学会（AAA）教育分会主任。尼古拉教授先后执教于威斯康星州立大学、北卡罗来纳州立大学，因教学成绩突出而多次获杰出教学奖。

John D. Bazley, 博士、注册会计师，美国丹佛大学Daniels商学院会计学教授，多次获杰出教学奖。

改编及审校者简介

赖红宁，暨南大学管理学院会计系副教授，专业方向：西方财务会计、西方财务管理及国际会计。

王立彦，博士，北京大学光华管理学院教授、博士生导师，北京大学国际会计与财务研究中心主任，学术期刊《经济科学》副主编，《中国会计评论》主编，中国审计学会学术委员会委员。近年来的学术和专业研究重心集中在：会计信息与价值分析、海外上市与双重财务报告、公司治理与内部控制、成本管理控制、企业及管理业绩评价、环境核算与认证的财务效应等。

教学支持资源（见本书教学支持说明页）

1. Excel Spreadsheet Template Solutions
2. Instructor's Manual
3. PowerPoint Presentation Slides
4. Solutions Manual
5. Update to Textbook
6. Others

导 读

我们的导读先从本书框架图的构建开始，全书的布局如下图所示：

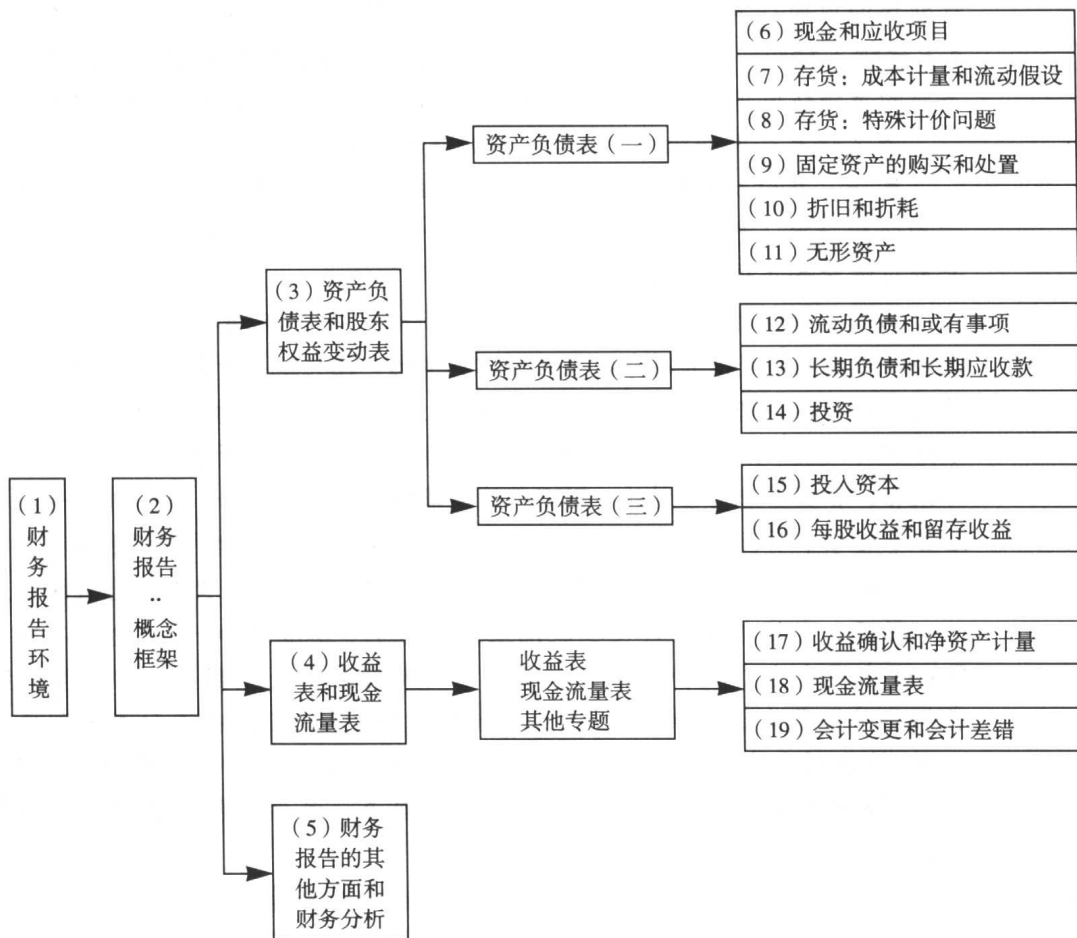


图 本书结构图

全书共分五篇：

第一篇——财务报告：概念、财务报表和相关披露（第1章至第5章）；

第二篇——财务报告：资产计量和收益确定（第6章至第11章）；

第三篇——财务报告：负债和投资计价（第12章至第14章）；

第四篇——财务报告：股东权益（第15章至第16章）；

第五篇——财务报告：特定专题（第17章至第19章）。

读者可以发现一个有趣的现象，即本书每篇篇名前都有“财务报告”四字，这不奇怪，因为中级会计的目的就是让大家掌握通用财务报告的编制理论与方法。如果把财务报告比作一个建筑的话，报表项目就是它的构件。所以本书就是以三大报表¹项目的确认、计量、记录和报告为主线来展开的。了解这一点，我们再看上面的框架图，对本书的布局就一目了然了。

¹ 三大报表一般公认的是资产负债表、收益表和现金流量表，现在也有第四报表的提法，即综合收益表。至于股东权益变动表和利润分配表可以看成是资产负债表和收益表的补充报表。

尼古拉和巴泽利两位教授合编的这本《中级会计学》(第9版)以理论分析见长。除了在第一篇对会计环境、财务会计的概念框架、会计概念(会计基本要素)、三大报表的构成进行系统的阐述外,后面四篇在论述具体的每个项目的会计处理时,每章前面都要对基本概念(报表项目)的定义和特点进行进一步的讨论,对一些会计处理的前因后果进行深入的理论分析,为了突出这一点,在页边以C(概念)和A(分析)标明。在本书的第1章作者还专门提到会计环境中的道德问题,以及在多变的市场环境中,会计人员应以解决问题为导向,具备创新和批判性的思想。

为了让大家更好地学习本书,有几点特别提请注意:

第一,在结构的编排上,同国内中级会计存在一些区别,一是将报表编制和结构分析提前(现金流量表的编制除外,在第18章)放在第一编;二是将投资与长期应收款和负债项目放入第三篇。

第二,财务会计处理程序是由确认、计量、记录和报告来组成的,财务报告也是由财务报表的列报和财务报告的披露构成的。而传统会计教材只注重会计的确认和计量,容易忽略披露问题。在本书的第3章至第5章,重点对财务报告的披露内容进行了详细的说明,如会计政策、公允价值、金融工具风险、或有项目、关联方交易、审计报告、管理层分析与讨论、SEC²的披露格式、分部报告、中期报告等,并且在以后各章对每个项目的会计处理进行讲述后,都要阐明该项目的列报和披露问题。因为一个完整的经济业务的会计处理,既包括会计确认和计量,又包括会计报告。

第三,与我们的会计处理规范主要来源于一本准则和一本制度³不同,美国的GAAP来源十分广泛和复杂,并且书中的所有会计处理都会标出制度来源,所以我们要对组成美国GAAP的主要文献有所了解。美国GAAP最权威的制度来源包括FASB的准则公告(FAS)和解释、APB的意见书、CAP的会计研究公告(ARB)和SEC的对向其注册登记公司的披露格式要求。另外还包括不同层次制度和文献对会计处理的规范要求⁴。

第四,我们要重点关注的是中美两国在一些会计处理上的差异,应该说,这种差异很多,以下指出的是些重大的差异和美国已有规范而中国还没有相应制度的地方。

- ① 第4章综合收益的概念(FAS130⁵);
- ② 第6章应收账款的抵押、转让和出售(FAS140)的会计处理;
- ③ 第11章计算机软件成本(FAS86)和商誉的会计核算(FAS142);
- ④ 第13章贷款减值和债务重组(FAS114和FAS118)与我国现行规定不一致⁶;

2 导读中出现的缩写书中均有全称。

3 即17项具体会计准则(含基本准则)和企业会计制度。

4 具体请参见本书(图1-4)GAAP来源层级图。

5 导读中提到的财务会计准则公告全称分别是:FAS13,租赁会计;FAS86,出售、出租和营销性计算机软件成本的会计核算;FAS114,债权人贷款减值会计处理;FAS118,对FAS114的修订;FAS115,特定债务和权益证券投资的会计处理;FAS123,股票报酬的会计处理;FAS128,每股收益;FAS130,报告综合收益;FAS133,衍生工具和套期活动的会计处理;FAS138, FAS149对FAS133的修订;FAS140,金融资产的转换和交付以及负债消除的会计处理——对FAS125的取代;FAS142,商誉和其他无形资产;FAS150,对拥有负债和权益两种特征金融工具的会计处理。

6 这种不一致主要体现在我国在债务重组包括非货币性交易等核算中主要使用历史成本,而美国在这些方面的核算中多使用公允价值计量属性。

⑤ 第14章投资的分类和处理 (FAS115) 与我国存在较大差别;

⑥ 第16章基本和稀释每股收益 (EPS) 的计算 (FAS128⁷)。

本篇导读只是为大家指路, 书中的风景和精华还得靠读者慢慢去品味和掌握。

审校及改编者

2004年11月

7 我国已经颁布了“每股收益”具体准则的征求意见稿, 目前正式准则尚未出台。

PART 1

Financial Reporting: Concepts, Financial Statements, and Related Disclosures

1 The Environment of Financial Reporting 2

ACCOUNTING INFORMATION: USERS, USES, AND GAAP. External and Internal Users. Financial and Managerial Accounting Information Systems. Financial Reporting. Generally Accepted Accounting Principles. THE ESTABLISHMENT OF ACCOUNTING STANDARDS. Committee on Accounting Procedure (CAP). Accounting Principles Board (APB). Financial Accounting Standards Board (FASB). Other Organizations Currently Influencing Generally Accepted Accounting Principles. ETHICS IN THE ACCOUNTING ENVIRONMENT.

2 Financial Reporting: Its Conceptual Framework 18

FASB CONCEPTUAL FRAMEWORK. OBJECTIVES OF FINANCIAL REPORTING. Information Useful in Decision Making. Information Useful to External Users in Assessing Future Cash Receipts. Information Useful in Assessing Company Cash Flows. Information About Economic Resources and Claims to These Resources. Information About Comprehensive Income and Its Components. Information About Cash Flows. TYPES OF USEFUL INFORMATION. Return on Investment. Risk. Financial Flexibility. Liquidity. Operating Capability. QUALITATIVE CHARACTERISTICS OF USEFUL ACCOUNTING INFORMATION. Hierarchy of Qualitative Characteristics. Understandability. Decision Usefulness. Relevance. Reliability. Comparability and Consistency. Constraints to the Hierarchy. ACCOUNTING ASSUMPTIONS AND CONVENTIONS. Entity. Continuity. Period of Time. Historical Cost. Monetary Unit. Realization and Recognition. Matching and Accrual Accounting. Conservatism. GAAP AND FINANCIAL STATEMENTS. Balance Sheet. Income Statement. Statement of Cash Flows. Statement of Changes in Equity. OVERVIEW.

3 The Balance Sheet and the Statement of Changes in Stockholders' Equity 39

INTERRELATIONSHIP OF FINANCIAL STATEMENTS. PURPOSES OF THE BALANCE SHEET. Liquidity, Financial Flexibility, and Operating Capability. Capital and Capital Maintenance. RECOGNITION IN THE BALANCE SHEET. ELEMENTS OF THE BALANCE SHEET. Assets. Liabilities. Stockholders' Equity. MEASUREMENT OF THE ELEMENTS OF THE BALANCE SHEET. Historical Cost. Current Cost. Current Market Value. Net Realizable Value. Present Value. Limitations of the Balance Sheet. REPORTING CLASSIFICATIONS ON THE BALANCE SHEET. Current Assets. Current Liabilities. Working Capital. Long-Term Investments. Property, Plant, and Equipment. Intangible Assets. Other Assets. Long-Term Liabilities. Other Liabilities. Conceptual Guidelines for Reporting Assets and Liabilities. Stockholders' Equity. Contributed Capital. Capital Stock and Additional Paid-In Capital. Retained Earnings. Accumulated Other Comprehensive Income. Miscellaneous Items. STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY. OTHER DISCLOSURE ISSUES. Summary of Accounting Policies. Fair Value and Risk of Financial Instruments. Contingent Liabilities and Assets. Subsequent Events. Related Party Transactions. Comparative Financial Statements. Auditor's Report. SEC Integrated Disclosures. REPORTING TECHNIQUES. Statement Format (Balance Sheet). Combined Amounts. Rounding. Notes, Supporting Schedules, and Parenthetical Notations.

4 The Income Statement and Statement of Cash Flows 72

CONCEPTS OF INCOME. Capital Maintenance Concept. Transactional Approach. CONCEPTUAL REPORTING GUIDELINES. General Conceptual Guidelines. Specific Conceptual Guidelines. ELEMENTS OF THE INCOME STATEMENT. Revenues. Expenses. Gains and Losses. INCOME STATEMENT CONTENT. All-Inclusive versus Current Operating. Condensed Income Statements. INCOME STATEMENT: INCOME FROM CONTINUING OPERATIONS. Sales Revenue (Net). Cost of Goods Sold. Operating Expenses. Other Items. Income Tax Expense Related to Continuing Operations. Single-Step and Multiple-Step Formats. INCOME STATEMENT: RESULTS FROM DISCONTINUED OPERATIONS. Operating Income (or Loss). Gain or Loss on Sale. Disclosure. INCOME STATEMENT: EXTRAORDINARY ITEMS. INCOME STATEMENT: EFFECTS OF ACCOUNTING CHANGES. Change in Accounting Principle. Change in Accounting Estimate. INCOME STATEMENT: EARNINGS PER SHARE. INCOME STATEMENT: RELATED ISSUES. Limitations of the Income Statement. STATEMENT OF RETAINED EARNINGS. Prior Period Adjustments. Net Income and Dividends. COMPREHENSIVE INCOME. STATEMENT OF CASH FLOWS. Conceptual Overview and Uses of the Statement of Cash Flows. Reporting Guidelines and Practices. SUMMARY OF DISCLOSURES.

5 Additional Aspects of Financial Reporting and Financial Analysis 123

AUDITOR'S REPORT (OPINION). MANAGEMENT'S REPORT. MANAGEMENT'S DISCUSSION AND ANALYSIS. SEGMENT REPORTING. Reporting on Operating Segments. INTERIM FINANCIAL REPORTS. Revenues. Expenses. Income Taxes. Extraordinary Items, Discontinued Operations, and Cumulative Effects. Earnings per Share. Preparation and Disclosure of Summarized Interim Financial Data. SEC REPORTS. INTRACOMPANY COMPARISONS. INTERCOMPANY COMPARISONS. PERCENTAGE ANALYSES. Horizontal Analysis. Vertical Analysis. RATIO ANALYSIS. Stockholder Profitability Ratios. Company Profitability Ratios. Liquidity Ratios. Activity Ratios. Stability Ratios. Cash Flow Ratios.

PART 2

Financial Reporting: Asset Measurement and Income Determination

6 Cash and Receivables 170

CASH. Cash and Cash Equivalents. Cash Management. Petty Cash. BANK RECONCILIATION. Causes of the Difference. Procedures for Preparing a Bank Reconciliation. Illustration. SPECIAL TOPICS INVOLVING CASH. Electronic Funds Transfer Systems. Compensating Balances. RECEIVABLES. REVENUE RECOGNITION AND VALUATION OF TRADE RECEIVABLES. Normal Revenue Recognition. Right of Return. Valuation Issues. ACCOUNTS RECEIVABLE. Cash (Sales) Discounts. Sales Returns and Allowances. VALUATION OF ACCOUNTS RECEIVABLE FOR UNCOLLECTIBLE ACCOUNTS. Estimated Bad Debts Method. Percentage of Sales (or Net Credit Sales). Percentage of Outstanding Accounts Receivable. Aging of Accounts Receivable. Writing Off Uncollectible Accounts. Collection of an Account Previously Written Off. Direct Write-Off Method. GENERATING IMMEDIATE CASH FROM ACCOUNTS RECEIVABLE. Pledging of Accounts Receivable. Assignment of Accounts Receivable. Factoring (Sale) of Accounts Receivable. NOTES RECEIVABLE. Short-Term Interest-Bearing Notes Receivable. Short-Term Non-Interest-Bearing Notes Receivable. Notes Receivable Discounted.

7 Inventories: Cost Measurement and Flow Assumptions 211

CLASSIFICATIONS OF INVENTORY. Raw Materials Inventory. Goods in Process Inventory. Finished Goods Inventory. Inventories of Service Companies. ALTERNATIVE INVENTORY SYSTEMS. Perpetual Inventory System. Periodic Inventory System. ITEMS TO BE INCLUDED IN INVENTORY QUANTITIES. DETERMINATION OF INVENTORY COSTS. Manufacturing Overhead Costs. Standard Costs. Variable

Costing. Purchases Discounts. COST FLOW ASSUMPTIONS. Specific Identification. First-In, First-Out (FIFO). Average Cost. Last-In, First-Out (LIFO). Comparison of Inventory Cost Flow Assumptions. CONCEPTUAL EVALUATION OF INVENTORY COST FLOW ASSUMPTIONS. Income Measurement. Income Tax Effects. Liquidation of LIFO Layers. Income Manipulation. Inventory Valuation. Average Cost. ADDITIONAL LIFO CONSIDERATIONS. Interim Statements Using LIFO. DISCLOSURE OF INVENTORY VALUES AND METHODS.

8 Inventories: Special Valuation Issues 242

LOWER OF COST OR MARKET. Application of Lower of Cost or Market Method. Conceptual Evaluation of the Ceiling and Floor. Approaches to Implementing Lower of Cost or Market Rule. Recording the Reduction of Inventory to Market. Lower of Cost or Market and Interim Financial Statements. CONCEPTUAL EVALUATION OF LOWER OF COST OR MARKET. VALUATION ABOVE COST. GROSS PROFIT METHOD. Conceptual Evaluation of the Gross Profit Method. RETAIL INVENTORY METHOD. Retail Inventory Method Terminology. Application of the Retail Inventory Method. CONCEPTUAL EVALUATION OF THE RETAIL INVENTORY METHOD. EFFECTS OF INVENTORY ERRORS. SUMMARY OF INVENTORY ISSUES.

9 Property, Plant, and Equipment: Acquisition and Disposal 272

CHARACTERISTICS OF PROPERTY, PLANT, AND EQUIPMENT. Evaluation of Use of Historical Cost. ACQUISITION OF PROPERTY, PLANT, AND EQUIPMENT. Determination of Cost. Lump-Sum Purchase. Deferred Payments. Issuance of Securities. Assets Acquired by Donation. Start-up Costs. ASSETS ACQUIRED BY EXCHANGE OF OTHER ASSETS. Exchanges of Dissimilar Productive Assets. Exchanges of Similar Productive Assets. SELF-CONSTRUCTION. Interest During Construction. Fixed Overhead Costs. COSTS SUBSEQUENT TO ACQUISITION. Additions. Improvements and Replacements. Rearrangement and Moving. Repairs and Maintenance. DISPOSAL OF PROPERTY, PLANT, AND EQUIPMENT. DISCLOSURE OF PROPERTY, PLANT, AND EQUIPMENT.

10 Depreciation and Depletion 305

FACTORS INVOLVED IN DEPRECIATION. Asset Cost. Service Life. Residual Value. METHODS OF COST ALLOCATION. Activity Methods. Time-Based Methods. CONCEPTUAL EVALUATION OF DEPRECIATION METHODS. DISCLOSURE OF DEPRECIATION. ADDITIONAL DEPRECIATION METHODS. Group Depreciation. Composite Depreciation. DEPRECIATION FOR PARTIAL PERIODS. Compute Depreciation to the Nearest Whole Month. Compute Depreciation to the Nearest Whole Year. Compute One-Half Year's Depreciation on All Assets Purchased or Sold During the Year. IMPAIRMENT OF NONCURRENT ASSETS. Conceptual Evaluation of Asset Impairment. CHANGES AND CORRECTIONS OF DEPRECIATION. DEPLETION.

11 Intangibles 336

ACCOUNTING FOR INTANGIBLES. Cost of Intangibles. Amortization or Impairment of Intangible Assets. RESEARCH AND DEVELOPMENT COSTS. IDENTIFIABLE INTANGIBLE ASSETS. Patents. Copyrights. Franchises. Computer Software Costs. Leases and Leasehold Improvements. Trademarks and Tradenames. Deferred Charges. Organization Costs. UNIDENTIFIABLE INTANGIBLES. Internally Developed Goodwill. Purchased Goodwill. Recording the Acquisition. Impairment of Goodwill. Negative Goodwill. DISCLOSURE OF INTANGIBLES ASSETS. CONCEPTUAL EVALUATION OF ACCOUNTING FOR INTANGIBLES.

PART 3**Financial Reporting: Valuation of Liabilities and Investments****12 Current Liabilities and Contingencies 364**

CONCEPTUAL OVERVIEW OF LIABILITIES. NATURE AND DEFINITION OF CURRENT LIABILITIES. Classification and the Operating Cycle or Year. Liquidity, Financial Flexibility, and Current Liabilities. Classification of Current Liabilities. VALUATION OF CURRENT LIABILITIES. CURRENT LIABILITIES HAVING A CONTRACTUAL AMOUNT. Trade Accounts Payable. Notes Payable. Currently Maturing Portion of Long-Term Debt. Dividends Payable. Advances and Refundable Deposits. Accrued Liabilities. Unearned Items. CURRENT LIABILITIES WHOSE AMOUNTS DEPEND ON OPERATIONS. Sales and Use Taxes. Liabilities Related to Payrolls. Income Taxes Payable. Bonus Obligations. CURRENT LIABILITIES REQUIRING AMOUNTS TO BE ESTIMATED. Property Taxes. Warranty Obligations. Premium and Coupon Obligations. CONTINGENCIES. Accrual of Loss Contingencies. Disclosure of Loss Contingencies in the Notes to the Financial Statements. Disclosure of Gain Contingencies in the Notes to the Financial Statements. OTHER LIABILITY CLASSIFICATION ISSUES. Short-Term Debt Expected to be Refinanced. Classification of Obligations That Are Callable by the Creditor. FINANCIAL STATEMENT PRESENTATION OF CURRENT LIABILITIES.

13 Long-Term Liabilities and Receivables 394

REASONS FOR ISSUANCE OF LONG-TERM LIABILITIES. BONDS PAYABLE. Characteristics of Bonds. Bond Selling Prices. RECORDING THE ISSUANCE OF BONDS. Bonds Issued Between Interest Payment Dates. AMORTIZING DISCOUNTS AND PREMIUMS. Straight-Line Method. Effective Interest Method. Bond Issue Costs. Accruing Bond Interest. Zero Coupon Bonds. EXTINGUISHMENT OF LIABILITIES. Bonds Retired at Maturity. Bonds Retired Prior to Maturity. BONDS WITH EQUITY CHARACTERISTICS. Bonds Issued with Detachable Stock Warrants. Convertible Bonds. LONG-TERM NOTES PAYABLE. Notes Payable Issued for Cash. Notes Payable Exchanged for Cash and Rights or Privileges. Notes Payable Exchanged for Property, Goods, or Services. Disclosure of Long-Term Liabilities. LONG-TERM NOTES RECEIVABLE.

14 Investments 429

INVESTMENTS: CLASSIFICATION AND VALUATION. INVESTMENTS IN DEBT AND EQUITY TRADING SECURITIES. INVESTMENTS IN AVAILABLE-FOR-SALE DEBT AND EQUITY SECURITIES. Recording Initial Cost. Recording Interest and Dividend Revenue. Recognition of Unrealized Holding Gains and Losses. Realized Gains and Losses on Sales of Available-for-Sale Securities. INVESTMENTS IN HELD-TO-MATURITY DEBT SECURITIES. Recording Initial Cost. Recognition and Amortization of Bond Premiums and Discounts. Amortization for Bonds Acquired Between Interest Dates. Sale of Investment in Bonds before Maturity. TRANSFERS AND IMPAIRMENTS. Transfers of Investments Between Categories. Impairments. DISCLOSURES. Financial Statement Classification. EQUITY METHOD. Accounting Procedures. Financial Statement Disclosures.

PART 4**Financial Reporting: Stockholders' Equity****15 Contributed Capital 464**

CORPORATE FORM OF ORGANIZATION. Types of Corporations. Formation of a Corporation. CORPORATE CAPITAL STRUCTURE. Capital Stock and Stockholders' Rights. Basic Terminology. Legal Capital. Additional Paid-In Capital. Stockholders' Equity. ISSUANCE OF CAPITAL STOCK. Authorization. Issuance for Cash. Stock Issuance Costs. Stock Subscriptions. Subscription Defaults. Combined Sales of Stock. Nonmonetary Issuance of Stock. Stock Splits. Stock Rights to Current Stockholders.

PREFERRED STOCK CHARACTERISTICS. Preference as to Dividends. Cumulative Preferred Stock. Participating Preferred Stock. Preference in Liquidation. Voting Rights. Disclosures. CONTRIBUTED CAPITAL SECTION.

16 Earnings Per Share and Retained Earnings 487

EARNINGS AND EARNINGS PER SHARE. CONCEPTUAL OVERVIEW AND USES OF EARNINGS PER SHARE INFORMATION. BASIC EARNINGS PER SHARE. Numerator Calculations. Denominator Calculations. Components of Earnings Per Share. Example of Basic Earnings Per Share. DILUTED EARNINGS PER SHARE. Stock Options and Warrants. Convertible Securities. Computation of Tentative and Final Diluted Earnings Per Share. EPS DISCLOSURE ILLUSTRATION. CONTENT OF RETAINED EARNINGS. DIVIDENDS. Cash Dividends. Property Dividends. Scrip Dividends. Stock Dividends. Liquidating Dividends. PRIOR PERIOD ADJUSTMENTS (RESTATEMENTS). APPROPRIATIONS (RESTRICTIONS) OF RETAINED EARNINGS. STATEMENT OF RETAINED EARNINGS. Illustration of Retained Earnings Statement. Accumulated Other Comprehensive Income. STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY.

PART 5

Financial Reporting: Special Topics

17 Income Recognition and Measurement of Net Assets 534

OVERVIEW OF REVENUE RECOGNITION ALTERNATIVES. EXAMPLES OF REVENUE RECOGNITION ALTERNATIVES. Example 1: Revenue Recognition at Time of Sale. Example 2: Revenue Recognition During Production. Example 3: Revenue Recognition at Time of Cash Receipt. CONCEPTUAL ISSUES. ALTERNATIVE REVENUE RECOGNITION METHODS. REVENUE RECOGNITION PRIOR TO THE PERIOD OF SALE. Long-Term Construction Contracts. Percentage-of-Completion Method. Completed-Contract Method. Illustration of the Two Methods. Losses on Long-Term Construction Contracts. Additional Considerations in Accounting for Long-Term Construction Contracts. Long-Term Service Contracts. Proportional Performance Method. REVENUE RECOGNITION AFTER THE PERIOD OF SALE. Installment Method. Example of the Installment Method. Additional Considerations for the Installment Method. Cost Recovery Method. Comparison of the Installment and Cost Recovery Methods. REVENUE RECOGNITION DELAYED UNTIL A FUTURE EVENT OCCURS. Deposit Method. SUMMARY OF ALTERNATIVE REVENUE RECOGNITION METHODS.

18 The Statement of Cash Flows 574

CONCEPTUAL OVERVIEW AND REPORTING GUIDELINES. Reporting Guidelines and Practices. Illustration. CASH INFLOWS AND OUTFLOWS. Inflows of Cash. Outflows of Cash. NET CASH FLOW FROM OPERATING ACTIVITIES. Direct Method. Indirect Method. PROCEDURES FOR PREPARATION OF STATEMENT. Worksheet Method of Analysis. Steps in Preparation (Worksheet Method). Comprehensive Example (Worksheet Method). SPECIAL TOPICS. Sale of Depreciable Assets. Interest Paid and Income Taxes Paid. Flexibility in Reporting. Partial Cash Investing and Financing Activities. Temporary and Long-Term Investments. Cash Dividends Declared. Cash Flow Per Share. OPERATING CASH FLOWS. Operating Cash Inflows. Operating Cash Outflows. Diagram of Operating Cash Flows. PROCEDURES FOR STATEMENT PREPARATION. Worksheet Method. EXAMPLE: WORKSHEET AND DIRECT METHOD.

19 Accounting Changes and Errors 620

TYPES OF ACCOUNTING CHANGES. METHODS OF DISCLOSING AN ACCOUNTING CHANGE. ACCOUNTING FOR A CHANGE IN ACCOUNTING

PRINCIPLE. Cumulative Effect Method. Prior Period Restatement Method. Transition Methods Required by the FASB. ACCOUNTING FOR A CHANGE IN AN ESTIMATE. ACCOUNTING FOR A CHANGE IN A REPORTING ENTITY. ACCOUNTING FOR A CORRECTION OF AN ERROR. Error Analysis. Error Correction. SUMMARY OF METHODS FOR ACCOUNTING CHANGES AND ERRORS.

PART 1

Financial Reporting: Concepts, Financial Statements, and Related Disclosures

- | | |
|------------------|--|
| Chapter 1 | The Environment of Financial Reporting |
| Chapter 2 | Financial Reporting: Its Conceptual Framework |
| Chapter 3 | The Balance Sheet and the Statement of Changes in Stockholders' Equity |
| Chapter 4 | The Income Statement and Statement of Cash Flows |
| Chapter 5 | Additional Aspects of Financial Reporting and Financial Analysis |

CHAPTER

1

objectives

- 1 Understand capital markets and decision making.
- 2 Know what is included in financial reporting.
- 3 Explain generally accepted accounting principles (GAAP) and the sources of GAAP.
- 4 Identify the types of pronouncements issued by the FASB.
- 5 Understand how the Financial Accounting Standards Board (FASB) operates.
- 6 Describe the relationship between the Securities and Exchange Commission (SEC) and the FASB.

The Environment of Financial Reporting

Accounting may be described as the process of identifying, measuring, recording, and communicating economic information to permit informed judgments and decisions by users of information. It is also called the “language of business.” In the United States economy, most published accounting information is about different types of companies (primarily corporations). Companies engage in many transactions and generate large amounts of data. Since people can absorb only limited amounts of information, accounting systems are designed to report that data in a concise, understandable format. In this sense, accounting may be viewed as the link between a company’s economic activities and decision makers.

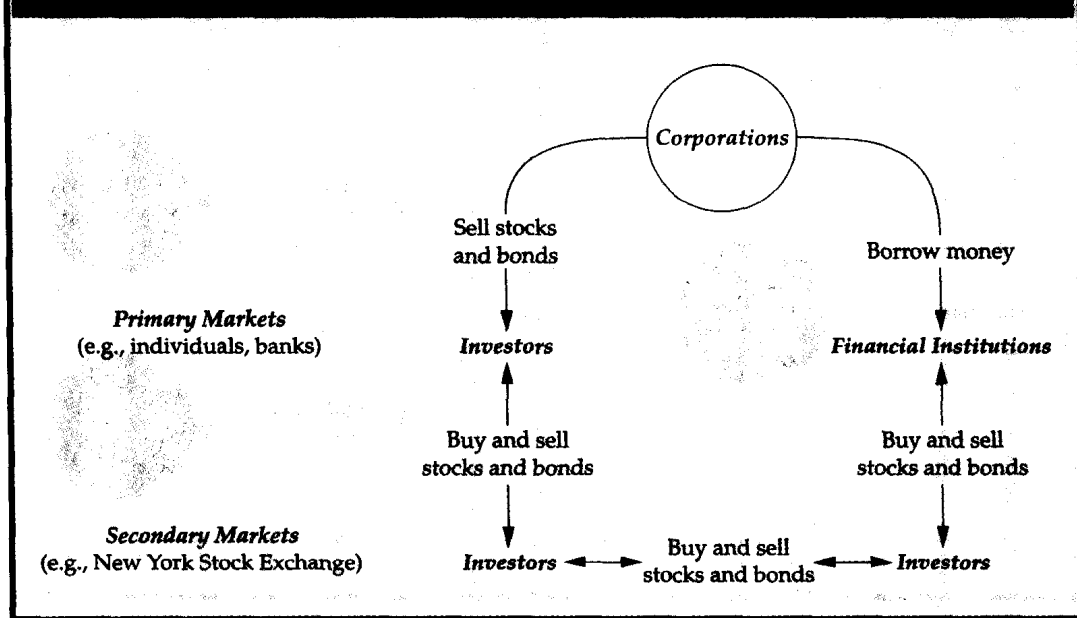
In this chapter we review the uses of accounting information and who uses it, the development of principles for the accumulation and communication of accounting information, and the ethical frameworks within which these accounting principles are applied.

ACCOUNTING INFORMATION: USERS, USES, AND GAAP

The U.S. economy is a free-market economy in which the decisions of many buyers and sellers influence the demand for and supply of products and services offered by companies. Individuals acting within this economy have limited resources to consume or to invest, whereas typically companies need large amounts of capital for their operations. Companies may obtain this capital from the issuance of capital stock (equity) and bonds (debt), from other borrowings, or from resources generated by their operations. The exchange of capital by investors for the stocks and bonds of companies occurs in **capital markets**, as we show in Exhibit 1-1. There are organized capital markets, such as the New York Stock Exchange (NYSE), the American Stock Exchange (AMEX), and the Nasdaq Stock Market, Inc. (NASDAQ), in which the capital stock and bonds of many corporations are purchased and sold daily. These corporations are called *publicly held* (or publicly traded) companies. These markets sometimes are referred to as *secondary markets* because the sales and purchases are among the investors themselves. That is, the corporation that initially issued the capital stock or bonds is not involved in the exchange.

There also are more loosely organized capital markets in which fewer exchanges occur. For instance, companies may borrow from lending institutions, or corporations may issue new capital stock or bonds, either through “public offerings” or through “private placements.” Public offerings involve the advertising and sale to many investors (i.e., the general public). Private placements involve the advertising and sale to a few private institutions such as insurance

EXHIBIT 1-1 Capital Markets



companies and pension funds, or to employees. These markets sometimes are called *primary markets* because the exchange is directly between a corporation and the investors. Whether investors or lending institutions are involved in primary or secondary markets, they are interested in earning dividends and interest, and in a safe return of their resources. Investors in publicly traded securities participate in the increase (or decrease) in the market price of the capital stock and bonds. These investors are concerned with the efficient allocation of their scarce resources to achieve these objectives. Accounting information is useful in making decisions for this allocation process within these capital markets. It is useful for other purposes as well.

External and Internal Users

The decision makers or users of accounting information can be divided into two major categories, external users and internal users, as we show in Exhibit 1-2. These two user groups have somewhat dissimilar information needs because of their different relationships to the company providing the economic information. **External users are actual or potential investors (stockholders and bondholders); creditors, such as suppliers and lending institutions; and other users, such as employees, financial analysts, advisers, brokers, underwriters, stock exchanges, taxing and regulatory authorities, labor unions, and the general public.** (Note that bondholders are “creditors” by contract and legal definition, but are considered “investors” as this term is commonly used.) Investors have a direct relationship with the company, and their capital market information needs revolve around three basic decisions:

1. *Buy.* A potential investor decides to purchase a particular security (e.g., a stock or bond) on the basis of communicated accounting information.
2. *Hold.* An actual investor decides to retain a particular security on the basis of communicated accounting information.
3. *Sell.* An actual investor decides to dispose of a particular security on the basis of communicated accounting information.

Creditors, such as suppliers and lending institutions, also have a direct relationship with companies. While creditors do not purchase securities, they make similar decisions that require accounting information. The decisions in this case are to extend credit, to

1 Understand capital markets and decision making.