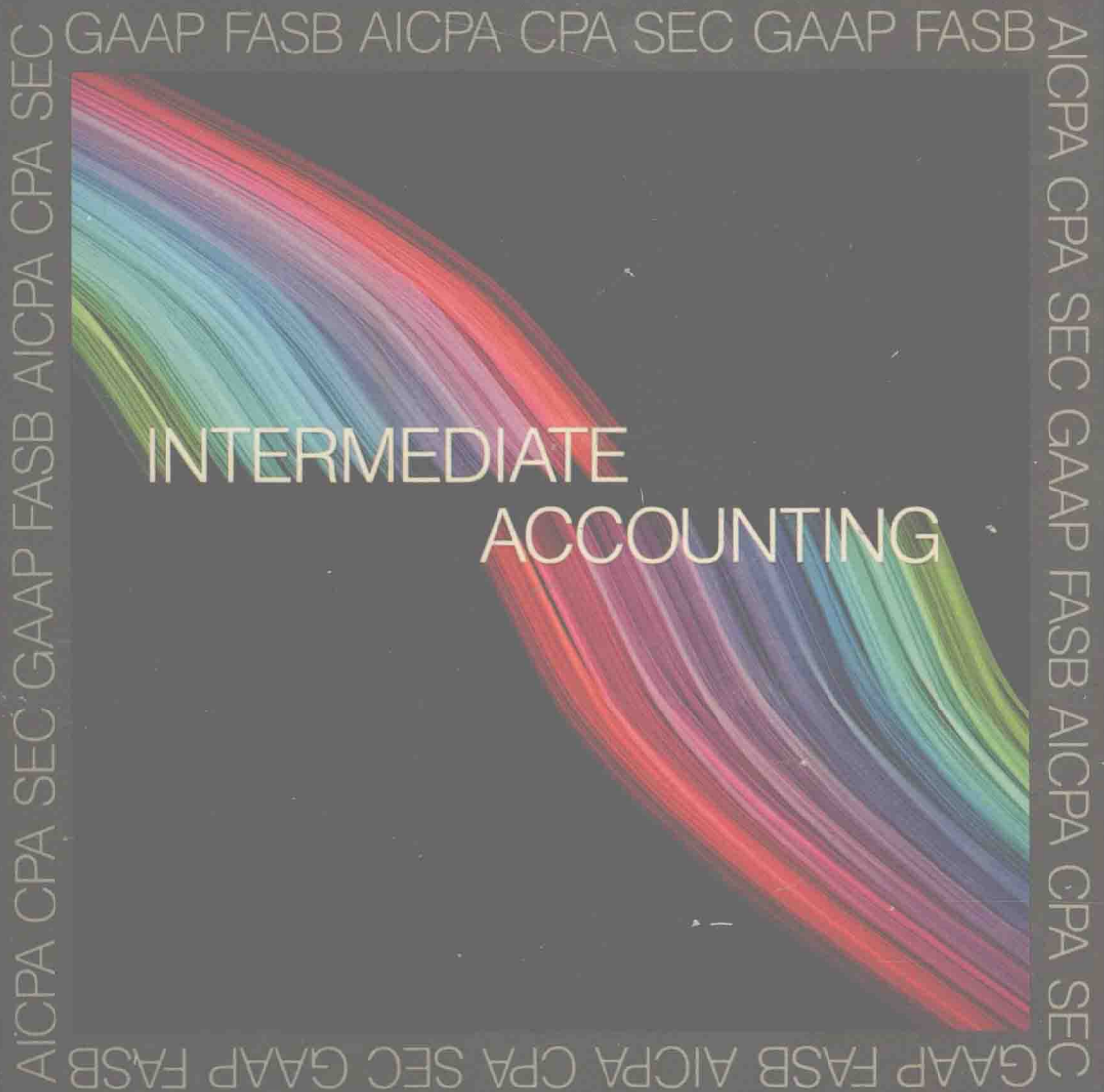


SIXTH EDITION

KIESO AND WEYGANDT



SIXTH EDITION

INTERMEDIATE ACCOUNTING

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Dedicated to
our Students and Adopters

and to

Donna,

Douglas,

and Debra

Enid,

Matthew,

Erin,

and Lia

ABOUT THE AUTHORS

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PREFACE

The sixth edition of *Intermediate Accounting* discusses in depth the traditional (intermediate) financial accounting topics as well as the recent developments in accounting valuation and reporting practices promulgated by the leading professional accounting organizations and applied by practitioners in public accounting and industry. Explanations and discussions of financial accounting theory are supported and illustrated by examples taken directly from practice and authoritative pronouncements.

Continuing to keep pace with the complexities of the modern business enterprise, we have added new topics, clarified some of the existing coverage, added numerous illustrations, and updated material where necessary. To provide the instructor with greater flexibility in choosing topics to cover or omit, we have continued the use of judiciously selected appendices. The appendices are concerned primarily with complex subjects, lesser used methods, or specialized topics.

The text is organized into six major parts.

1. Financial Accounting Functions and Basic Theory
(Chapters 1 to 6)
2. Assets—Recognition and Measurement
(Chapters 7 to 12)
3. Liabilities—Recognition and Measurement
(Chapters 13 and 14)
4. Stockholders' Equity, Dilutive Securities, and Investments
(Chapters 15 to 18)
5. Issues Related to Income Measurement
(Chapters 19 to 23)
6. Preparation and Analysis of Financial Statements
(Chapters 24 to 27)

Benefiting from the comments and recommendations of adopters of our fifth edition, we have made significant revisions. Explanations where necessary have been expanded, complicated discussions and illustrations have been simplified, realism has been integrated to heighten interest and relevancy, and new topics and coverage have been added to maintain currency. We have even deleted some fifth edition coverage and condensed the coverage of other topics. The increase in the number of pages is due mostly to added end-of-chapter case, exercise, and problem materials.

We have attempted to balance our coverage so that the conceptual discussion and procedural presentation are mutually reinforcing. The study of concepts develops an understanding of procedures, and the performance of procedures enriches an understanding of the concepts. Accountants must act as well as think; therefore, we have given equal emphasis to *how* and to *why*.

We believe that individuals can account for events and phenomena best if they fully understand the nature of the phenomena and comprehend the economic consequences of the events. An appreciation for the behavioral and economic consequences of accounting and reporting alternatives is equally important. To this end, we have provided coverage that develops perspective as well as an understanding of the business transactions and other events for which enterprises account and report.

REVISIONS AND NEW FEATURES

The most significant change to the fifth edition is the complete revision of three chapters. Chapter 20 on accounting for income taxes has been rewritten to conform to the profession's new accounting and reporting requirements (*Statements No. 96 and 100*). Chapter 21, on accounting for pension costs, has been extensively revised with less emphasis on the actuarial aspects of pension plans, and more emphasis on illustrating the accounting and reporting requirements of the most recent pension pronouncements (*Statements No. 87 and 88*). Our coverage of the statement of cash flows, Chapter 24, is all new and in conformance with the profession's reporting requirements (*Statement No. 95*). All three of these significant revisions have had the benefit of class testing and adopter comments as a result of the publication of a Fifth Edition, Revised in 1988.

Throughout the text we have attempted to improve the pedagogy and simplify complex presentations. Examples are: development of a more simplified method for computing annuity due factors in Chapter 6; clarification and simplification of the capitalization of interest approach in Chapter 10; simplified discussion of change from equity to cost method in Chapter 18; and clarification of how to account for losses under the percentage of completion basis in Chapter 19.

In certain areas, expansion of the subject material was necessitated because of changes in the business environment. For example, in Chapter 11, we provide coverage of the new tax depreciation methods; in Chapter 12 the highly controversial subject of post-employment retirement benefits are discussed; and interest rate swaps, a relatively new phenomenon in the capital markets, is examined from an accounting viewpoint in Chapter 14. Also, new appendices have been added to Chapter 10 "Interest Capitalization—Special Situations" and Chapter 21 "Transition—A Special Pension Implementation Problem."

The sequence of chapters has remained the same, except that the sequence of the last three chapters has been changed. The "accounting for changing prices" chapter is now the last chapter in the book and the discussion has been condensed, given that disclosure of changing price information is no longer mandatory.

QUESTIONS, CASES, EXERCISES, AND PROBLEMS

At the end of each chapter we have provided a comprehensive set of review and homework material consisting of questions, short cases, exercises, and problems. For this edition all exercises and problems have been revised, and the end-of-chapter material has been supplemented with over 300 new items, nearly all of which have been either class tested or double checked for accuracy and clarity.

The questions are designed for review, self-testing, and classroom discussion purposes as well as homework assignments. The cases generally require essay as opposed to quantitative solutions; they are intended to confront the student with situations calling for conceptual analysis and the exercise of judgment in identifying problems and evaluating alternatives. Typically, an exercise covers a specific topic and requires less time and effort to solve than cases and problems. The problems are designed to develop a professional level of achievement and are more challenging to solve than the exercises.

Probably no more than one-fourth of the total case, exercise, and problem material must be used to cover the subject matter adequately; consequently, problem assignments may be varied from year to year.

SUPPLEMENTARY MATERIALS

Accompanying this textbook is an improved and expanded package of supplements consisting of instructional aids for either students or instructors. The following supplements are available

for student use (upon instructor approval): (1) a *Student Study Guide* (written by Raymond J. Clay); (2) a *Practice Set* (Rockford Corporation), sixth edition; (3) *Computerized Practice Set* with the IBM-PC disk and the manual packaged together for student purchase (prepared by James H. Perkins); (4) ruled *Working Papers I* for all problems in Chapters 1–14 and ruled *Working Papers II* for all problems in Chapters 14–27; (5) *Cases in Financial Accounting* (prepared by David Mielke, Donald E. Kieso and Jerry J. Weygandt); (6) *Solving Intermediate Accounting Problems using Lotus 1-2-3*, by David R. Koeppen, Donald E. Kieso, and Jerry J. Weygandt; and (7) *Multi-State Trucking Company—A Lotus-based Practice Case* by Linda H. Kistler.

The following supplements are available for instructor use: (1) a comprehensive *Solutions Manual* in two volumes for all end-of-chapter assignment material; (2) a separate *Instructor's Manual* (with the assistance of Wayne Higley); (3) overhead projector *Transparencies* for all text exercises and problems; (4) an all new expanded *Examination Booklet and Tests* (with the assistance of Eugene Rozanski); (5) *Microtest*, a computerized test bank available for IBM-PC, and Macintosh microcomputers; (6) *Microtutor*, a study guide tutorial for IBM-PCs; (7) solutions to the Practice Set, Spreadsheet Applications, and Cases, and (8) a *Checklist of Key Figures*, available free in quantity.

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If this book helps teachers instill in their students an appreciation for the challenges and limitations of accounting, if it encourages students to evaluate critically and understand financial accounting theory and practice, and if it prepares students for advanced study, professional examinations, and the successful pursuit of their careers in accounting or business, then we will have attained our objective.

Suggestions and comments from users of this book will be appreciated.

*DeKalb, Illinois
Madison, Wisconsin
January, 1989*

Donald E. Kieso
Jerry J. Weygandt

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