



WORKING PAPERS

RICHARD S. WEBSTER

**FOURTH
EDITION**

FINANCIAL ACCOUNTING

ROBERT K. ESKEW / DANIEL L. JENSEN

**FOURTH
EDITION**

FINANCIAL ACCOUNTING

ROBERT K. ESKEW / DANIEL L. JENSEN

WORKING PAPERS

RICHARD S. WEBSTER

The Ohio State University

McGraw-Hill, Inc.

New York St. Louis San Francisco Auckland Bogotá
Caracas Lisbon London Madrid Mexico City Milan
Montreal New Delhi San Juan Singapore
Sydney Tokyo Toronto

Working Papers
FINANCIAL ACCOUNTING
Eskew and Jensen

Copyright © 1992, 1989, 1986, 1983 by McGraw-Hill, Inc.
All rights reserved. Printed in the United States of America. Except as permitted under the United States Copyright Act of 1976, no part of this publication may be reproduced or distributed in any form or by any means, or stored in a data base or retrieval system, without the prior written permission of the publisher.

3 4 5 6 7 8 9 0 SEM SEM 9 0 9 8 7 6 5 4 3

ISBN 0-07-021058-6

This book was set in Times Roman by Monotype Composition Company.

The editors were Johanna Schmid, Judy Motto, and Peggy Rehberger;

the production supervisor was Leroy A. Young.

Semline, Inc., was printer and binder.



This book is printed on recycled paper containing a minimum of 50% total recycled fiber with 10% postconsumer de-inked fiber.

WORKING PAPERS

FINANCIAL ACCOUNTING

WORKING PAPERS

FINANCIAL ACCOUNTING

CONTENTS

PART 1 INTRODUCTION

CHAPTER 1	Introduction to Accounting and Accountants	1
CHAPTER 2	The Content and Organization of Financial Statements	19

PART 2 THE ACCOUNTING CYCLE

CHAPTER 3	Recording Accounting Data	49
CHAPTER 4	Adjusting Entries	105
CHAPTER 5	Completing the Accounting Cycle	147

PART 3 ACCOUNTING FOR ASSETS

CHAPTER 6	Sales Revenues and Cost of Goods Sold	193
CHAPTER 7	Inventory Costing	225
CHAPTER 8	Financial Assets: Accounting and Control	271
CHAPTER 9	Operating Assets	299

PART 4 ACCOUNTING FOR LIABILITIES AND EQUITY

CHAPTER 10	Current Liabilities, Contingent Liabilities, and the Time Value of Money	333
CHAPTER 11A	Long-Term Liabilities: Straight-Line Interest Procedures	367
CHAPTER 11B	Long-Term Liabilities: Effective Interest Procedures	389
CHAPTER 12	Owners' Equity	419

PART 5 ADDITIONAL DIMENSIONS OF FINANCIAL REPORTING

CHAPTER 13	The Statement of Cash Flows	447
CHAPTER 14	Long-Term Investments, Consolidated Financial Statements, and Business Combinations	477
CHAPTER 15	Financial Statement Analysis	503
CHAPTER 16	Accounting and Corporate Income Taxation	537

SUPPLEMENTARY TOPICS

TOPIC A	Accounting for Nonbusiness Entities	555
TOPIC B	Accounting for Changing Prices	563
TOPIC C	Accounting for International Operations	571
TOPIC D	Personal Income Taxation	577
TOPIC E	Recognition and Measurement	583

CHAPTER 1

INTRODUCTION TO ACCOUNTING AND ACCOUNTANTS

QUESTIONS

Q1-1.

Q1-2.

Q1-3.

Q1-4.

Q1-5.

Q1-6.

Q1-7.

Q1-8.

Q1-9.

Q1-10.

Q1-11.

Q1-12.

Q1-13.

Q1-14.

Q1-15.

Q1-16.

Q1-17.

Q1-18.

Q1-19.

Q1-20.

EXERCISES**E1-21. BUSINESS ENTITIES AND BUSINESS ACTIVITY**

	ENTITIES		
	SOLE PROPRIETORSHIP	PARTNERSHIP	CORPORATION
1. Can sell goods (merchandising)			
2. Owned by one person and legally not separate from owner			
3. Can make and sell goods (manufacturing)			
4. Jointly owned by two or more persons and legally not separate from the owners			
5. Owned by one or more persons and legally separate from the owner(s)			
6. Can provide and sell services			
7. K-mart			
8. A law firm owned by some of the employees who are each liable for the financial obligations of the entity			

E1-22. ACCOUNTING ENVIRONMENT

1. CPA
2. Managerial accounting
3. Audit
4. Corporation
5. Accounting
6. FASB
7. SEC
8. Sole proprietorship

E1-23. BUSINESS ENTITIES AND OWNER'S ACTIVITIES

a)

b)

c)

b)

c)

	ASSETS	LIABILITIES	EQUITY
a)			
b)			
c)			

a)

b)

c)

Melody Radio
INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 19X2

INCOME STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 19X2

[illegible]

E1-29. CALCULATION OF EXPENSE FROM BALANCE SHEET CHANGES

E1-30. CALCULATION OF DIVIDENDS FROM BALANCE SHEET CHANGES, FOR 19X2

E1-31. CASH-BASIS AND ACCRUAL-BASIS ACCOUNTING

Accrual-basis net income:

Cash-basis net income:

E1-32. EFFECT OF EVENTS ON NET INCOME

a)

b)

c)

d)

e)

f)

g)

E1-33. EFFECT OF EVENTS ON ASSETS

a)

b)

c)

d)

E1-34. INFERRING EVENTS FROM BALANCE SHEET CHANGES

a)

b)

c)

d)

E1-35. CALCULATION OF INCOME FROM BALANCE SHEET DATA

Total assets, 12/31/X5

[illegible]**E1-36. REVENUE RECOGNITION**

E1-37. EXPENSE AND CASH PAYMENT

FEBRUARY 19X2

MARCH 19X2

EXPENSE

EXPENSE

Packing supplies

[illegible]

1. Revenue—April

1.	ASSETS	LIABILITIES	EQUITY
----	--------	-------------	--------

2.	EQUITY	
	CAPITAL	RETAINED
TOTAL	STOCK	EARNINGS

10

E1-41. ACCOUNTING CONCEPTS (*Note: Write concept names, add appropriate letter of definition or example*)

1.

2.

3.

4.

5.

6.

7.

8.

9.