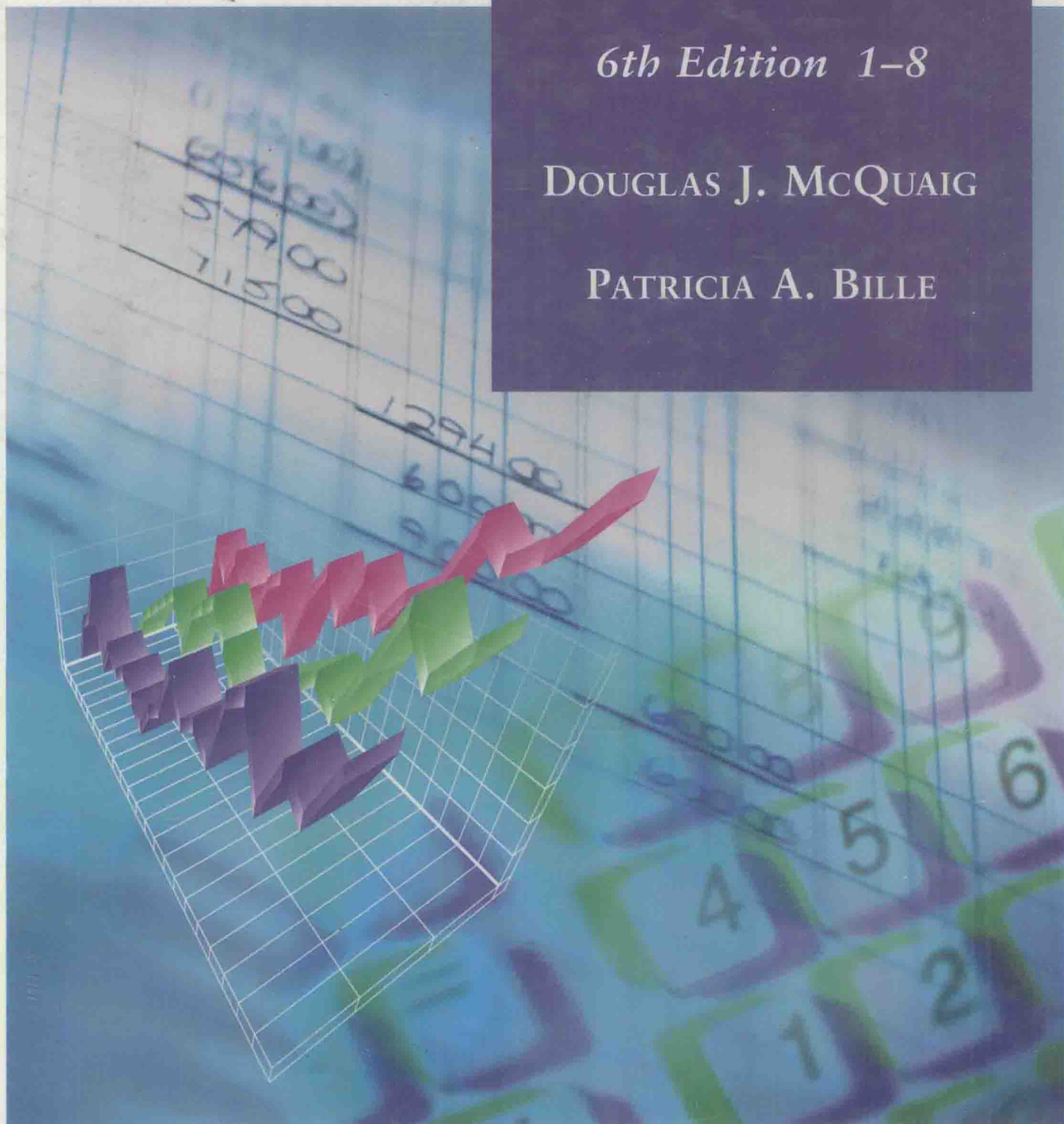


COLLEGE ACCOUNTING

6th Edition 1-8

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College Accounting

Sixth Edition 1-8

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This text is sincerely dedicated to the students who will use it.

Every possible effort has been made to produce an understandable, up-to-date, and accurate presentation of the fundamentals of accounting.

This text is intended to be an important element in your course, as well as an invaluable future reference for you in the preparation of your career in business.

Best wishes for your success.

Douglas J. McQuaig

Patricia A. Bille

Preface

The goals for the Sixth Edition of *College Accounting* are the same as they have been for the previous editions: To provide students with a sound basic knowledge of accounting terms, concepts, and procedures, always taking into consideration students' widely varying objectives:

- Preparation for students entering the job market in accounting.
- A practical background in accounting for students beginning other careers, such as clerical, secretarial, technical, sales, and management positions.
- Retraining for students making career changes.
- Preparation and background for students planning more advanced studies in accounting.

Drawing from more than 50 years combined teaching experience, we have developed an up-to-date, understandable, and teachable basic accounting text. The text is logically organized, liberally illustrated, and paced in a manner that is easy for students to read and understand. Based on extensive reviews, campus visits, and conversations with many accounting instructors, we have updated, revised, and improved both the text and the ancillary materials.

The accounting principles described are those endorsed by the Financial Accounting Standards Board.

CHARACTERISTICS OF COLLEGE ACCOUNTING

Focus on the Fundamentals

College Accounting, Sixth Edition presents the fundamentals of accounting in a practical, easy-to-comprehend manner. Great emphasis is placed on developing a firm foundation of fundamental procedures. Appropriate repetition enables students to develop confidence in themselves and to make progress in gradual stages. This repetition is accomplished through extensive use of examples and illustrations enhanced by color photographs.

Recording business transactions is directly related to the fundamental accounting equation. Each newly introduced transaction is fully illustrated and is supported with T account examples. Comprehensive reviews of T accounts, organized in relation to the fundamental accounting equation, appear in the Student Working Papers to assist as students review material and complete assignments.

Reading Comprehension

College Accounting, Sixth Edition is a very readable text. We write in short sentences and use many illustrations to help students understand the discussion. Each chapter is limited to the presentation of one major concept, which is amply illustrated with business documents and report forms. As terms are introduced, they are defined thoroughly and are used in subsequent examples. Comprehension is also enhanced through the use of “Remembers.” These short, marginal notes present a learning hint or a capsule summary of a major point made in preceding paragraphs. End-of-chapter summaries review each performance objective presented in the chapter.

Emphasis on Accounting Terminology

We firmly believe that accounting is the language of business and that learning new terminology is an essential part of a first course. Each key term is printed in green and is explained when it is first introduced. The end-of-chapter glossary repeats the definitions of the terms presented in the chapter. In addition, page numbers are included for each glossary term, making it easy for students to refer to a term in the chapter.

Questions, Exercises, and Problems

College Accounting, Sixth Edition provides a wealth of exercise and problem material that is supported by the Working Papers, offering instructors a wide choice for classroom illustrations and assignments. Each chapter ends with comprehensive review and study material consisting of a review of performance objectives, a glossary, eight discussion questions, eight exercises, several new components—called Consider and Communicate, What If . . . , Critical Thinking, and A Matter of Ethics—that foster problem solving and communication skills, and two sets of comparable A and B problems.

- **Questions** Eight questions, based on the main points in the text, are included at the end of each chapter.
- **Classroom Exercises** For practice in applying concepts, eight exercises are provided with each chapter. Each exercise is described briefly in the margin. Exercises are referenced in the margins of the Instructor’s Annotated Edition.
- **Consider and Communicate** Each chapter contains a question that requires students to think about the concepts presented in the chapter. They are asked to explain and apply what they have learned.
- **What If . . .** This feature is new to the Sixth Edition and appears in every chapter. Each What If . . . assignment describes a set of accounting circumstances and asks students to use their knowledge of accounting, life experiences, and common sense to form a verbal or written response.
- **Critical Thinking** New to this edition, Critical Thinking exercises provide an opportunity for students to develop their problem-solving skills and employ their knowledge of accounting to complete a task. The Critical Thinking feature, which appears in every chapter, is appropriate for individual or team responses.
- **A Matter of Ethics** This exercise, contained in every chapter, is also new to the Sixth Edition. In it, a situation is described and students are asked to decide

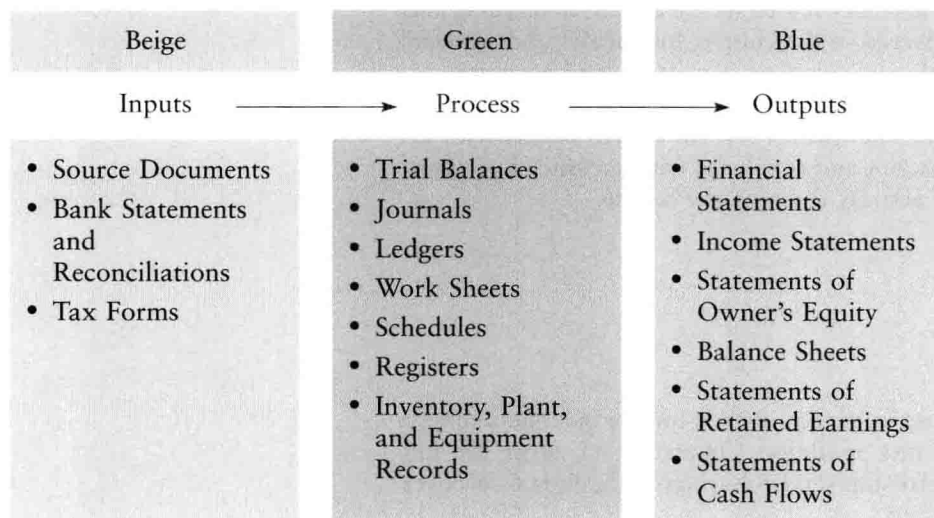
whether the action is ethical. Students are also asked to suggest what implications the described behavior might have. These exercises are particularly valuable in fostering discussion by the class or in small groups.

- **Problems** Each chapter contains four A problems and four B problems. The A and B problems are parallel in content and level of difficulty. They are arranged in order of difficulty, with Problems 1A and 1B in each chapter being the simplest and the last problem in each series being the most comprehensive. Each problem is accompanied by a Check Figure so students can check their work and correct errors in computation.

PROVEN FOUR-COLOR PEDAGOGY

The Sixth Edition of *College Accounting* continues to implement a color-coded pedagogy that helps students recognize and remember key points. The pedagogical use of color also helps students understand the flow of accounting data and identify different types of documents and reports used in accounting. Finally, the use of color in this text helps students identify the performance objectives for each chapter, recognize the performance objectives called for in each exercise and problem, and review material efficiently and effectively.

The Use of Color in McQuaig/Bille



- **Performance objectives** are highlighted in purple throughout the text. They are listed at the beginning of each chapter and restated alongside the related text discussion. They are referenced by performance objective number in the chapter summary and in the exercises and problems.
- **Key terms** are printed in green. They are defined in the text and repeated in a glossary at the end of the chapter.
- **Remembers**, highlighted in blue, are learning hints or summaries placed in the margin of the text. These marginal notes often alert students to common procedural pitfalls and help them complete their work successfully.

- **Tables**, outlined in orange, help students quickly identify material that must be examined as a unit and is not part of running text.

The Sixth Edition's consistent use of color extends to the treatment of accounting forms, financial statements, and documents in the text and end-of-chapter assignments.

- **Source documents**, such as invoices, bank statements, facsimiles, and other material that originates with outside sources, are shown in beige.
- **Working papers, journals, ledgers, trial balances, and other forms and schedules** used as part of the internal accounting process are shown in green.
- **Financial statements**, including balance sheets, income statements, statements of owner's equity, and statements of cash flows, are shown in blue.

This distinctive treatment differentiates these elements and helps students see where each element belongs in the accounting cycle. Seeing these relationships helps students understand how accountants transform data into useful information.

GUARANTEE OF QUALITY MATERIAL

Successful use of an accounting text depends on more than the interesting and memorable presentation of material by the instructor and the text. The overall quality of the examples, illustrations, color photographs, end-of-chapter questions, exercises and problems, and ancillary materials are critical to learning and retaining the facts and concepts covered in the course. Instructors and students must be assured that these materials are complete, consistent, and accurate.

Together with our publisher, we have taken a multistep approach to ensure quality materials for classroom use. The quality control system begins with in-depth reviews of the original manuscript and concludes with accuracy reviews of page proof by instructors who are actively teaching the course.

CHAPTER COVERAGE

College Accounting, Sixth Edition is designed primarily for use in a one-semester course. The text may be divided into modules: Chapters 1–5 cover the full accounting cycle for a sole proprietorship service business. Chapters 6–8 cover bank accounts and payroll accounting.

The following appendices expand content coverage and increase the instructor's options for structuring the course:

- *Appendix A: Methods of Depreciation (after Chapter 4)* This appendix describes methods of depreciation, including the Modified Accelerated Cost Recovery System.
- *Appendix B: Accounting for Professional Enterprises: The Combined Journal (after Chapter 5)* New to the Sixth Edition, this appendix examines the use of the combined journal in personal service enterprises.
- *Appendix C: Bad Debts (after Chapter 6)* This appendix covers the allowance and specific charge-off methods.

SPECIAL FEATURES AND ENHANCEMENTS FOR THE SIXTH EDITION TEXT

- **Complete revision and review** The text and the end-of-chapter assignment materials have been thoroughly revised, updated, and reviewed.
- **Full color design with photographs** New to this edition is an exciting full-color design, complete with two or three color photographs and accompanying captions in each chapter. These photographs help students visualize the concepts discussed in the chapter and glimpse them in practice.
- **In Your Life** In Your Life chapter openers are new to the Sixth Edition. Accompanied by a color photograph, each opener is written to bring the chapter's topic into a closer relationship with students' life experiences.
- **Extended Examples** Cole Copy Center is integrated throughout Chapters 1–5 to illustrate the completion of the accounting cycle for a sole-proprietorship service business.
- **Student Annotations** Additional Remembers have been added to this edition, and a new student annotation, FYI, appears in every chapter. FYIs are brief, interesting pieces of information about current business practice.
- **Computerization and Accounting** Computers have brought major changes to the work environment in which today's graduates are expected to function. Computerization and Accounting boxes, new to this edition, offer students a scenario that includes a description of a situation, a statement of a problem, and a solution. Following the solution are printouts that let students see the similarities between manual accounting formats and the printouts from the computer. The goal is to bridge the gap between manual and computerized accounting before students' hands-on computerized training.
- **Icons** The following four icons accompany end-of-chapter assignments:

The icon on the right indicates exercises designed to enhance students' verbal and written communication skills as well as their group skills.



The icon on the right indicates assignments that involve critical thinking, to emphasize the importance of understanding how specific accounting procedures relate to accounting as a whole.



Problems that can be solved using either the Houghton Mifflin General Ledger program or the Simply Accounting General Ledger program are designated by the icon on the right.



Problems that can be worked using Spreadsheet Applications for College Accounting: A Working Papers Approach are identified by the icon on the right.



- **Check Figures** Check Figures appear alongside every A and B problem in the student text as well as the Instructor's Annotated Edition.

- ***New Skill-Building Assignments*** Consider and Communicate, What If . . . , Critical Thinking, and A Matter of Ethics exercises provide opportunities for students to sharpen their oral and written communication skills as well as their critical thinking skills.
- ***Cumulative Self-Checks*** Questions (true/false, multiple choice, matching, and completion) and brief application problems follow every three to four chapters. These self-checks let students check their understanding of what they have read in the preceding chapters.
- ***Accounting Cycle Review Problem*** This feature gives students the opportunity to apply accounting procedures to help them understand the process they have just studied. Following Chapter 5, the Accounting Cycle Review Problem involves the full accounting cycle for Lakeland Indoor Sailboats, a sole-proprietorship service business.

SPECIAL FEATURES AND ENHANCEMENTS FOR THE SIXTH EDITION

Supplemental Learning Aids and Instructor's Support Package

Complete descriptions of all of the supplemental learning aids and support materials and of the following new items for students and instructors are included in the Instructor's Resource Manual with Solutions.

For Students

- ***Study Materials in the Working Papers*** This edition of the Working Papers contains rich discussions of the following topics to assist students in their study of accounting:
 How to Study Accounting
 How to Solve Accounting Problems
 Ten-Key Skills Review
 Introduction to Spreadsheets
 Review of Business Mathematics
 How to Work a Practice Set
- ***Homework Check Questions*** Appearing in the Instructor's Resource Manual with Solutions, these questions, keyed to end-of-chapter assignments, provide students the opportunity to practice the interpretive portion of the accounting process.
- ***Simply Accounting™*** Simply Accounting™ is a commercial software program that is an easy-to-learn, fully functional accounting system specifically designed for small businesses. This Windows-based program features integration among all accounting modules and provides students with hands-on experience using a commercial package. Selected problems from *College Accounting*, Sixth Edition can be solved using this program and a student data disk containing setup files.
- ***General Ledger Software*** To accompany the Sixth Edition, Houghton Mifflin's fully reconstructed generic general ledger program is also available for

student use. This package offers complete coverage of accounting concepts and procedures in an extremely simple and user-friendly computerized environment. Selected problems from *College Accounting*, Sixth Edition can also be solved using this program.

- **Spreadsheet Applications for College Accounting: A Working Papers Approach** This innovative accounting software lets students solve end-of-chapter problems using Lotus 1-2-3 spreadsheet software. Students can select from prepared templates and use them to solve most end-of-chapter problems. Instructions explaining how to convert Lotus templates to Excel and solve the problems are a new feature of this program.
- **Practice Sets** A complete selection of manual and computerized practice sets is available for use with *College Accounting*, Sixth Edition. Most of these practice sets are completely new to this edition and can be worked either manually or by computer, using the Simply Accounting commercial package. A complete listing and description of each practice set and its support package can be found in the Instructor's Resource Manual with Solutions.

For Instructors

- **Power Presentation Manager** This Windows presentation software is a lecture support system designed to be used on computer-driven projection systems in classrooms and lecture halls. Menu-driven, it is divided into three components: solutions to selected assignments, illustrations from the text and transparency package, and lecture outlines.
- **Difficulty and Time Chart** New to this edition of the Instructor's Resource Manual with Solutions, the Difficulty and Time Chart indicates the relative difficulty and time required to solve each A and B problem. Problems are rated as easy, medium, or difficult, and the chart provides an estimate of the amount of time (in minutes) that an average student should take to complete a given problem.

Content Changes in the Sixth Edition

A complete list of content changes from the Fifth Edition to the Sixth Edition of *College Accounting* can be found in the Transition Guide, located in the Instructor's Resource Manual with Solutions. Following is a brief listing of the most important revisions and changes:

- **Organization into Parts** To provide for a logical and manageable presentation of material, we have divided the chapters of the Sixth Edition into two parts. Content may now be selected or adapted with greater ease for either a quarter or a semester sequence.
- **Introduction** A general introduction to accounting and to the accounting profession now precedes Chapter 1.
- **Reorganization of Chapters 1 and 2** In response to requests from instructors teaching from the Fifth Edition, we have combined Chapters 1 and 2 into a new Chapter 1 presenting the fundamental accounting equation plus revenue and expense. This reorganization allows a more realistic range of business transactions to be introduced to students in Chapter 1.

The newly revised Chapter 2 includes an introduction to T accounts, pluses and minuses, debits and credits, the trial balance, and financial statements. This new organization presents the financial statements in correct order: income statement, statement of owner's equity, and then balance sheet. Because we continually look for more ways to keep students up to date with the business world, this chapter also includes an alternate way of presenting the statement of owner's equity as printed in many accounting software packages; that is, the elements of the statement of owner's equity are under the owner's equity heading on the balance sheet.

Discussions of preparing an income statement involving more than one revenue account, a statement of owner's equity involving an additional investment with either a net income or a net loss, and a balance sheet containing the statement of owner's equity information are new to Chapter 2.

- **New Appendix** We introduce one new appendix in the Sixth Edition, Appendix B: Accounting for Professional Enterprises: The Combined Journal
- **Other Content Improvements**

We have added fresh coverage illustrating the transfer of cash from the Cash account to the Cash-Payroll Bank Account.

We updated the payroll tax deposit rules (monthly, semiweekly, and \$500 rule), as well as tax forms (941, 940, W-2, W-3). In addition, we now feature a tax deposit coupon illustration and discussion.

SUPPLEMENTARY LEARNING AIDS FOR STUDENTS AND SUPPORT MATERIALS FOR INSTRUCTORS

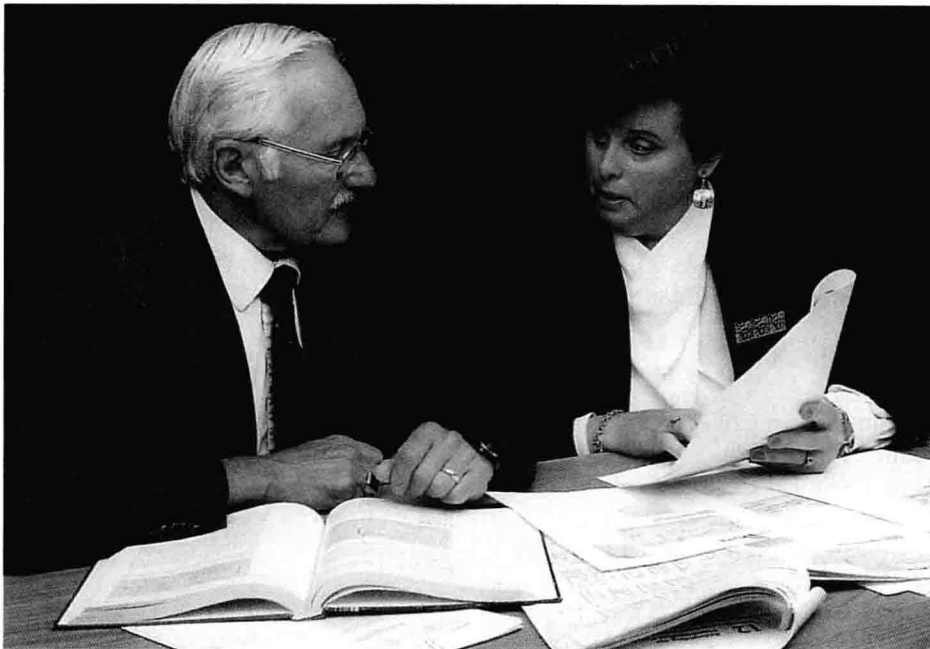
For the Sixth Edition, we have assembled the most comprehensive package of student and instructor aids to complement a wide variety of teaching styles and course emphases. Detailed descriptions of each element of the support package are available in the Instructor's Resource Manual with Solutions.

For Students

- Working Papers 1–8
- Working Papers 1–13
- Working Papers 14–26
- Houghton Mifflin General Ledger Software for Selected Problems
- Computer Associates' Simply Accounting General Ledger Software for Selected Problems
- Spreadsheet Applications for College Accounting: A Working Papers Approach.
- Accounting Video Workshop
- Small Business Video
- Practice Sets:
 - Divesports*
 - Sounds Abound*, Second Edition
 - Lawson's Supply Center, Inc.*
 - Crystal Clean Maintenance*

For Instructors

- Instructor's Annotated Edition 1–13
- Instructor's Annotated Edition 1–26
- Instructor's Resource Manual with Solutions
- Test Bank
- Computerized Test Bank
- Achievement Tests (A and B)
- Teaching and Solutions Transparencies
- Enrichment Manual
- Instructor's Guide to Accounting Video Workshop
- Power Presentation Manager
- Instructor's Solutions Manuals for all practice sets



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Patricia A. Bille

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During the writing of the Sixth Edition, we consulted many users of the text throughout the country. Their constructive suggestions are reflected in the changes that have been made. Unfortunately, space does not permit mention of all those who have contributed to this volume. Some of those, however, who have been supportive and have influenced our efforts are:

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Contents

Preface	xi
---------	----

Introduction to Accounting	1
----------------------------	---

PART I

THE ACCOUNTING CYCLE FOR A SERVICE BUSINESS: ANALYZING BUSINESS TRANSACTIONS	7
--	---

1. Asset, Liability, Owner's Equity, Revenue, and Expense Accounts	8
---	---

Assets, Liabilities, and Owner's Equity	8
Revenue and Expense Accounts	14

2. T Accounts, Debits and Credits, Trial Balance, and Financial Statements	34
---	----

The T Account Form	35
Recording Transactions in T Account Form	38
Left Equals Right	42
Debit and Credit Sides	43
The Trial Balance	50
Major Financial Statements	52
Errors Exposed by the Trial Balance	57
<i>Computerization and Accounting</i>	58

3. The General Journal and the General Ledger	73
---	----

The General Journal	74
Posting to the General Ledger	81
Corrections of Errors	94
<i>Computerization and Accounting</i>	96
<i>Cumulative Self-Check: Chapters 1–3</i>	111