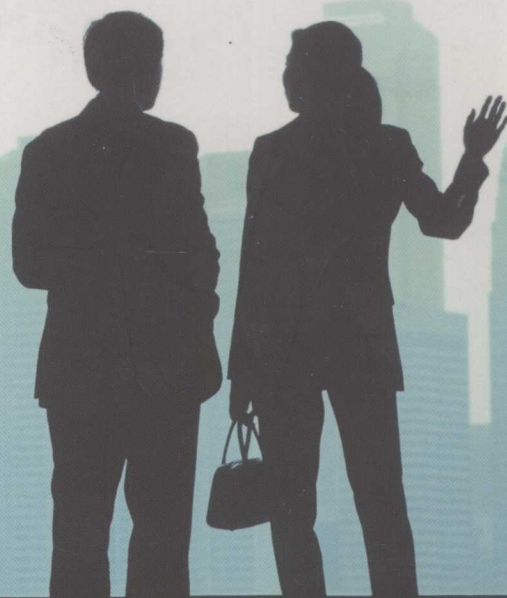


FINANCIAL ACCOUNTING AC

INFORMATION FOR DECISIONS

*Including
International
Financial
Reporting
Standards
(IFRS)*

**JOHN J. WILD
WINSTON KWOK**



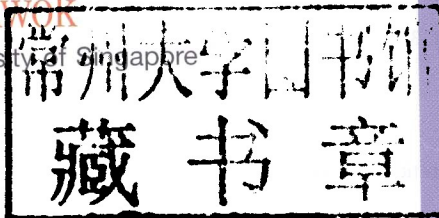
Financial Accounting: Information for Decisions

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FINANCIAL ACCOUNTING: INFORMATION FOR DECISIONS

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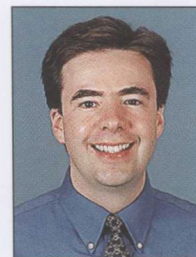
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John J. Wild is a professor of accounting and the Robert and Monica Beyer Distinguished Professor at the University of Wisconsin at Madison. He previously held appointments at Michigan State University and the University of Manchester in England. He received his BBA, MS, and PhD from the University of Wisconsin.

Professor Wild teaches accounting courses at both the undergraduate and graduate levels. He has received the Mabel W. Chipman Excellence-in-Teaching Award, the departmental Excellence-in-Teaching Award, and the Teaching Excellence Award from the 2003 and 2005 business graduates at the University of Wisconsin. He also received the Beta Alpha Psi and Roland F. Salmonson Excellence-in-Teaching Award from Michigan State University. Professor Wild is a past KPMG Peat Marwick National Fellow and is a recipient of fellowships from the American Accounting Association and the Ernst and Young Foundation.

Professor Wild is an active member of the American Accounting Association and its sections. He has served on several committees of these organizations, including the Outstanding Accounting Educator Award, Wildman Award, National Program Advisory, Publications, and Research Committees. Professor Wild is author of *Fundamental Accounting Principles*, *Managerial Accounting*, and *Financial Statement Analysis*, each published by McGraw-Hill/Irwin. His research appears in *The Accounting Review*, *Journal of Accounting Research*, *Journal of Accounting and Economics*, *Contemporary Accounting Research*, *Journal of Accounting, Auditing and Finance*, *Journal of Accounting and Public Policy*, and other journals. He is past associate editor of *Contemporary Accounting Research* and has served on several editorial boards, including *The Accounting Review*.

Professor Wild, his wife, and four children enjoy travel, music, sports, and community activities.



Winston Kwok is a senior lecturer in the Department of Accounting at the National University of Singapore Business School. He received his MBA and PhD from the Richard Ivey School of Business, University of Western Ontario.

Dr. Kwok teaches accounting and finance courses at both the undergraduate and graduate levels, as well as executive programs conducted in Chinese. He received Outstanding Educator Awards from the Business School in 2004, 2007, and 2009. He was also nominated for the University Teaching Excellence Award in 2009. He has published many original teaching cases.

Dr. Kwok is an associate editor for the *Asian Case Research Journal*. His research papers appeared in *Journal of Accounting Literature*; *Accounting, Auditing and Accountability Journal*; *Asia Pacific Journal of Management*; *Asian Case Research Journal*; and *Singapore Exchange Journal*.

Being a Certified Public Accountant in Singapore, Dr. Kwok also serves on committees such as the Annual Corporate Reporting Award and Business Analytics Reporting Course.



Achieving New Heights

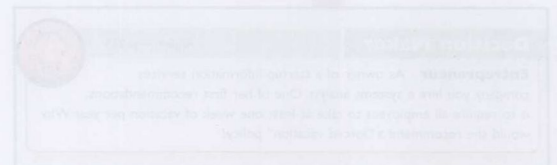
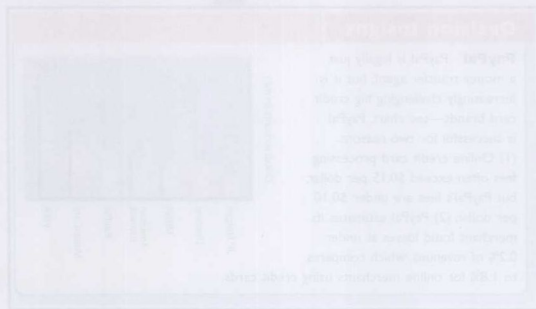
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Financial Accounting: Information for Decisions

This book helps students achieve new heights in their education by providing leading accounting content that engages them with enhanced learning tools.

One of the greatest challenges students confront in a financial accounting course is seeing its relevance. This book tackles this issue head on with **engaging content** and a **motivating style**. Students are motivated when content is **clear and relevant**. This book stands apart in engaging students. Its chapter-opening stories showcase dynamic, successful, entrepreneurial individuals and companies guaranteed to **interest and excite readers**. Students can identify with these smaller companies and can envision being entrepreneurs themselves one day. This book also features the current financial statements of Nestlé, Kraft Foods, and Adidas to further reinforce real-world relevance of accounting concepts.

We're confident you'll agree that **Financial Accounting: Information for Decisions** will help your students achieve new heights.



The Conceptual/Analytical/Procedural (CAP) Model allows courses to be specially designed to meet your teaching needs or those of a diverse faculty. This model identifies learning objectives, textual materials, assignments, and test items by C, A, or P, allowing different instructors to teach from the same materials, yet easily customize their courses toward a conceptual, analytical, or procedural approach (or a combination thereof) based on personal preferences.

What tools drive student learning

Decision Center

Whether we prepare, analyze, or apply accounting information, one skill remains essential: decision making. To help develop good decision-making habits and to illustrate the relevance of accounting, *Financial Accounting: Information for Decisions* uses a unique pedagogical framework called the Decision Center. This framework comprises a variety of learning opportunities (see below) that give students insight into every aspect of business decision making. Answers to Decision Maker and Ethics boxes are at the end of each chapter.

Decision Ethics

Answer—p. 71

Cashier Your manager requires that you, as cashier, immediately enter each sale. Recently, lunch hour traffic has increased and the assistant manager asks you to avoid delays by taking customers cash and making change without entering sales. The assistant manager says she will add up cash and enter sales after lunch. She says that, in this way, the register will always match the cash amount when the manager arrives at three o'clock. What do you do?



Decision Analysis

A2 Compute the debt ratio and describe its use in analyzing financial condition.

An important way to pay its debt is a relatively age. Higher

DECISION CENTER

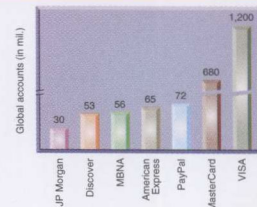
Decision Maker

Answer—p. 265

Entrepreneur As owner of a startup information services company, you hire a systems analyst. One of her first recommendations is to require all employees to take at least one week of vacation per year. Why would she recommend a "forced vacation" policy?

Decision Insight

PayPal PayPal is legally just a money transfer agent, but it is increasingly challenging big credit card brands—see chart. PayPal is successful for two reasons. (1) Online credit card processing fees often exceed \$0.15 per dollar, but PayPal's fees are under \$0.10 per dollar. (2) PayPal estimates its merchant fraud losses at under 0.2% of revenues, which compares to 1.8% for online merchants using credit cards.



CAP Model

The Conceptual/Analytical/Procedural (CAP) Model allows courses to be specially designed to meet your teaching needs or those of a diverse faculty. This model identifies learning objectives, textual materials, assignments, and test items by C, A, or P, allowing different instructors to teach from the same materials, yet easily customize their courses toward a conceptual, analytical, or procedural approach (or a combination thereof) based on personal preferences.

Learning Objectives

CAP

Conceptual

- C1** Explain the steps in processing transactions. (p. 48)
- C2** Describe source documents and their purpose. (p. 49)
- C3** Describe an account and its use in recording transactions. (p. 49)
- C4** Describe a ledger and a chart of accounts. (p. 52)
- C5** Define debits and credits and explain their role in double-entry accounting. (p. 53)

Analytical

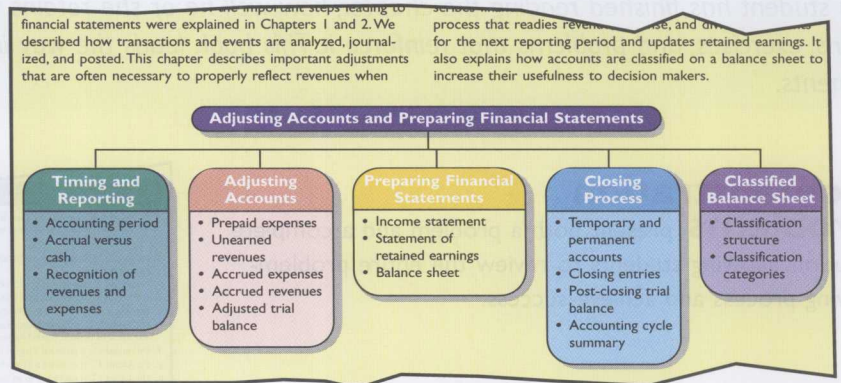
- A1** Analyze the impact of transactions on accounts and financial statements. (p. 57)
- A2** Compute the debt ratio and describe its use in analyzing financial condition. (p. 66)

Procedural

- P1** Record transactions in a journal and post entries to a ledger. (p. 54)
- P2** Prepare and explain the use of a trial balance. (p. 63)
- P3** Prepare financial statements from business transactions. (p. 64)

Chapter Preview with Flow Chart

This feature provides a handy textual/visual guide at the start of every chapter. Students can now begin their reading with a clear understanding of what they will learn and when, allowing them to stay more focused and organized along the way.



Quick Check

These short question/answer features reinforce the material immediately preceding them. They allow the reader to pause and reflect on the topics described, then receive immediate feedback before going on to new topics. Answers are provided at the end of each chapter.

Quick Check	Answers—p. 125
1. Describe a company's annual reporting period.	
2. Why do companies prepare interim financial statements?	
3. What two accounting principles most directly drive the adjusting process?	
4. Is cash basis accounting consistent with the matching principle? Why or why not?	
5. If your company pays a \$4,800 premium on April 1, 2007, for two years' insurance coverage, how much insurance expense is reported in 2008 using cash basis accounting?	

"Very clear explanations and easy-to-understand examples."

Dr. Olivia Leung, City University of Hong Kong

Marginal Student Annotations

These annotations provide students with additional hints, tips, and examples to help them more fully understand the concepts and retain what they have learned. The annotations also include notes on global implications of accounting and further examples.

(including depreciation) and unearned or received *before* a related expense or cause the recognition of an expense (or (or received). The right side of this example reflect transactions when cash is recognized. Adjusting entries are necessary, and liabilities are correctly reported. **ects one or more income statement accounts the Cash account).**

Point: Adjusting is a 3-step process:
 (1) Determine current account balance,
 (2) Determine what current account balance should be, and (3) Record entry to get from step 1 to step 2.

How are chapter concepts

Once a student has finished reading the chapter, how well he or she retains the material can depend greatly on the questions, exercises, and problems that reinforce it. This book leads the way in comprehensive, accurate end-of-chapter assignments.

Demonstration Problems

present both a problem and a complete solution, allowing students to review the entire problem-solving process and achieve success.

Chapter Summaries provide students with a review organized by learning objectives. Chapter Summaries are a component of the CAP model (see page vi), which recaps each conceptual, analytical, and procedural objective.

Key Terms are set in bold in the text and repeated at the end of the chapter with page numbers indicating their location. The book also includes a complete Glossary of Key Terms.

Multiple Choice Questions quickly test chapter knowledge before a student moves on to complete Quick Studies, Exercises, and Problems. Additional multiple choice quizzes are available on the textbook Website.

Quick Study assignments are short exercises that often focus on one learning objective. There are usually 8–10 Quick Study assignments per chapter.

Exercises are one of this book's many strengths and a competitive advantage. There are about 10–15 per chapter.

Demonstration Problem

(This problem extends the demonstration problem of Chapter 1.) After several months of planning, Jasmine Worthing started a haircutting business called Expressions. The following events occurred during its first month:

- On August 1, Worthing invested \$3,000 cash and \$15,000 of equipment in Expressions in exchange for its common stock.
- On August 2, Expressions paid \$500 cash for furniture for the shop.
- On August 3, Expressions paid \$500 cash to rent space in a strip mall for August.
- On August 4, it purchased \$1,200 of equipment on credit.
- On August 5, Expressions opened for business. Cash received and a half of business (ended August 15) is \$825.
- On August 15, it provided \$100 of haircutting services on credit.
- On August 17, it paid \$125 to an assistant for working day.
- Cash received from services provided during the second half of the month is \$400.
- On August 31, it paid a \$400 installment toward principal of a loan.
- On August 31, it paid \$900 cash for dividends.

Planning the Solution

- Analyze each transaction and use the debit and credit rules to prepare a journal entry for each.
- Post each debit and each credit from journal entries to their ledger accounts and cross-reference each amount in the posting reference (PR) columns of the journal and ledger.
- Calculate each account balance and list the accounts with their balances on a trial balance.
- Verify that total debits in the trial balance equal total credits.
- To prepare the income statement, identify revenues and expenses. List those items on the statement, compute the difference, and label the result as *net income* or *net loss*.
- Use information in the ledger to prepare the statement of retained earnings.
- Use information in the ledger to prepare the balance sheet.
- Calculate the debt ratio by dividing total liabilities by total assets.
- Analyze the future transactions to identify the accounts affected and apply debit and credit rules.

Solution to Demonstration Problem

1. General journal entries:

Date	Account Titles and Explanation	PR	Debit	Credit
------	--------------------------------	----	-------	--------

Key Terms

Key Terms are available at the book's Website for learning and testing in an online Flash

Account (p. 49)	Debit (p. 53)	Posting (p. 51)
Account balance (p. 53)	Debit ratio (p. 67)	Posting ref.
Balance column account (p. 56)	Dividends (p. 51)	Source doc.
Chart of accounts (p. 52)	Double-entry accounting (p. 53)	T-account
Common stock (p. 51)	General journal (p. 54)	Trial balance
Compound journal entry (p. 59)	Journal (p. 54)	Uncearned
Credit (p. 53)	Journalizing (p. 54)	
Creditors (p. 50)	Ledger (p. 49)	

Multiple Choice Quiz

Answers on p. 89

Multiple Choice Quizzes A and B are available at the book's Website.

- Amalia Industries received its utility bill for the current period of \$700 and immediately paid it. Its journal entry to record this transaction includes a
 - Credit to Utility Expense for \$700.
 - Debit to Utility Expense for \$700.
 - Debit to Accounts Payable for \$700.
 - Debit to Cash for \$700.
 - Credit to Common Stock for \$700.
- On May 1, Mattingly Lawn Service collected \$2,500 cash from
 - Cash.
 - Common Stock.
 - Land.
 - A trial balance prepared at year-end total debits by \$765. This was caused by
 - An error in the general journal.
 - Accounts Payable was recorded as \$2,500.
 - Accounts Payable.

QUICK STUDY

QS 2-1
Identifying source documents
C2

QS 2-2
Identifying financial statement items

Identify the items from the following list that are likely to serve as source documents:

- Sales ticket
- Income statement
- Trial balance
- Telephone bill
- Invoice from supplier
- Company revenue account
- Balance sheet
- Prepaid insurance
- Bank statement

Identify the financial statement(s) where each of the following items appears. Use I for income statement, E for statement of retained earnings, and B for balance sheet:

- Cash-dividends
- Common Stock
- Equipment
- Fees Earned
- Wages Expense
- Unearned Revenue

EXERCISES

Exercise 2-1
Identifying type and normal balances of accounts
C3 C5

Use the information in each of the following sentences to complete the table.

reinforced and mastered?

ix

Problem Sets A, B, & C

are proven problems that can be assigned as homework or for in-class projects. Problem Set C is available on the book's Website. All problems are coded according to the CAP model.

PROBLEM SET A

Problem 2-1A
Preparing and posting journal entries; preparing a trial balance
C4 C5 A1 P1 P2

...h a value of \$5,000, and common stock.
...signing a long-term note
...and acquired in b.
...cash.
...h and signing a long-term

PROBLEM SET B

Problem 2-1B
Preparing and posting journal entries; preparing a trial balance
C4 C5 A1 P1 P2

At the beginning Softworks, The
a. Bernadette of computer
b. Purchased payable for
c. Purchased a

Beyond the Numbers exercises ask students to use accounting figures and understand their meaning. Students also learn how accounting applies to a variety of business situations. These creative and fun exercises are all new or updated, and are divided into the following sections:

- Reporting in Action
- Comparative Analysis
- Ethics Challenge
- Communicating in Practice
- Taking It To The Net
- Teamwork in Action
- Hitting the Road
- Entrepreneurial Decision
- Global Decision

BEYOND THE NUMBERS

REPORTING IN ACTION
A1 A2

BTN 2-1 Refer to **Nestlé's** financial statements in Appendix A for the following question.

Required

1. What amount of total liabilities does it report for each of the fiscal years ended December 31, 2007?
2. What amount of total assets does it report for each of the fiscal years ended December 31, 2007?
3. Compute its debt ratio for each of the fiscal years ended December 31, 2008, and December 31, 2007? Explain.

Fast Forward

BTN 3-8 Review the opening feature of this chapter dealing with **Lunch Actually**.

Required

1. Assume that Lunch Actually collects \$300 cash at the beginning of the month in advance for a package of guaranteed-three-date segment to be fulfilled in the next three months. Prepare the journal entries for the (a) collection of the cash and (b) revenue from the subsequent dates fulfilled.
2. Your classmate cannot understand why he or she cannot record the entire \$300 as revenue upon receipt of the cash. Explain to him or her, citing the relevant accounting principle(s), and support with your answers from part 1.

ENTREPRENEURIAL DECISION
A3 C6 P1

BTN 3-9 Select a company that you can visit in person or interview on the telephone. Call ahead to the company to arrange a time when you can interview an employee (preferably an accountant) who can prepare the annual financial statements. Locate about the following:

HITTING THE ROAD

GLOBAL DECISION
A2 P4

BTN 4-9 **Adidas, Puma, and Nike** are all competitors in the global marketplace. Key comparative figures for each company follow.

In currency millions	Adidas	Puma	Nike
Sales	€10,799	€2,524	\$18,627
Cost of sales	5,543	1,218	10,240

Required

1. Rank the three companies (highest to lowest) based on the gross margin ratio.
2. Which of the companies uses a multiple-step income statement format? (Access their annual reports.)
3. Which company's income statement would likely be most easily interpreted by potential investors?

BTN 6-2 Key comparative figures for both **Nestlé** and **Kraft Foods** follow.

Key Figures	Nestlé (CHF millions)		Kraft Foods (US\$ millions)	
	Current Year	One Year Prior	Current Year	One Year Prior
Accounts receivable	13,442	14,890	4,704	5,197
Net sales	109,908	107,552	42,201	36,134

Required

Compute days' sales uncollected for both companies for each of the two years shown. Comment on any trends for both companies. Which company has the larger percent change in days' sales uncollected?

COMPARATIVE ANALYSIS
A1

Serial Problems use a continuous running case study to illustrate chapter concepts in a familiar context. Serial Problems can be followed continuously from the first chapter or picked up at any later point in the book; enough information is provided to ensure students can get right to work.

(This serial problem started in Chapter 1 and continues through most of the chapters. If the Chapter 1 segment was not completed, the problem can begin at this point.)

SP 2 On October 1, 2009, Adriana Lopez launched a computer services company called **Success Systems**, which provides consulting services, computer system installations, and custom program development. Lopez adopts the calendar year for reporting purposes and expects to prepare the company's first set of financial statements on December 31, 2009. The company's initial chart of accounts follows:

Account	No.	Account	No.
Cash	101	Common Stock	307
Accounts Receivable	106	Dividends	319
Computer Supplies	126	Computer Services Revenue	403
Prepaid Insurance			

SERIAL PROBLEM
Success Systems
A1 P1 P2

New Content with a Focus on IFRS

Shifting from a U.S. scenario to a global focus, this book transforms John Wild's popular U.S. financial accounting textbook into one based on International Financial Reporting Standards (IFRS). The chapters have been rewritten with an IFRS focus, global examples, new chapter-opening vignettes featuring Asian entrepreneurs, and updated comprehensive instructor supplements and offerings of new questions and assignments. The following gives a chapter-by-chapter synopsis:

Chapter 1

A good business idea needs to be accounted for. The opening story features a unique ice cream café churning out potent liqueur flavors. Highlights of the chapter include

- Early introduction to the “products” of financial accounting—the financial statements
- New real-life examples such as accounting frauds worldwide
- Description, updates, and references to resources on IFRS
- Revised return on assets analysis using IFRS-reporting company Nestlé
- Some revised end-of-chapter questions include other IFRS-reporting companies such as Adidas

Chapter 2

The Japanese is still in. Chapter 2 features a niche store that carries apparel and accessories from the well-known Harajuku and Akihabara Streets in Tokyo. To explicate the basics of accounting records, the highlights of the chapter include

- New presentation of Transaction Analysis: Identify—Analyze—Record—Post: a more logical and simpler presentation of transaction analysis
- Clearer links to the financial statements
- Revised debt ratio analysis using IFRS-reporting company Adidas
- New questions on real-life companies such as Heineken
- Some revised end-of-chapter questions include IFRS-reporting companies and discussion on global accounting qualifications

Chapter 3

Arranging love through lunch dates is an idea from the West that is taking off in Asia. Like many other types of businesses, the featured entrepreneur receives payments in advance and must account appropriately over time. Accounting adjustments are discussed with other highlights, which include

- Discussion of IFRS financial statement presentation formats, and how they are different from other GAAP formats
- Revised profit margin and current ratio analyses using IFRS-reporting company Nestlé
- Some revised end-of-chapter questions on IFRS reporting companies, including L'Oréal

Chapter 4

Fall in love with fabric creations as the company in the opening story introduces the topic of merchandising operations. Highlights include

- More details on IFRS financial statement formats, including the separation of some key items such as interest
- Revised acid-test and gross margin ratios analyses using IFRS-reporting company Nestlé
- For revised end-of-chapter questions, another well-known company, Puma, joins in the list of IFRS-reporting companies

Chapter 5

Have your cake the way you like it. The entrepreneur in the opening story shows how her cake-decorating items, coupled with her training, can help customers make the perfect cake. Highlights of this inventory chapter include

- Detailed discussion on the key areas where IFRS differs from U.S. GAAP: choice of inventory methods and application of lower of cost or market
- Some revised end-of-chapter questions based on IFRS-reporting companies

Chapter 6

Beauty is profit in the eyes of the entrepreneur. The chapter opener features a nail services business that grew to provide comprehensive beauty services. As it expands, the need for stringent internal controls becomes more apparent. Highlights of the chapter include

- New global Internet fraud resources
- New global examples of retailers and their inventory control systems
- New example on Internet crime complaint statistics
- Discussion of internal controls as applied by IFRS-reporting company Heineken
- Revised days' sales uncollected analysis using IFRS-reporting companies Nestlé and Kraft Foods
- Some revised end-of-chapter questions based on IFRS-reporting companies

Chapter 7

"Your bill has been settled." The opening story features a business that provides boardgames for play besides food and drinks. Businesses have the choice of letting customers pay by cash or credit, and this chapter elaborates on the treatment of receivables popular with big companies. Highlights include

- Global examples on major retailers' receivables
- Revised accounts receivable turnover analysis using IFRS-reporting companies Carrefour and Tesco
- Some revised end-of-chapter questions based on IFRS-reporting companies, including a Chinese company

Chapter 8

Desserts spell sweet success for an enterprising restaurant serving custom-made premier desserts paired with wine. Such a business needs to invest in capital expenditures. Highlights of this chapter on long-term assets include

- Updates for IFRS treatment of increases and decreases in values of property, plant and equipment and intangible assets
- Revised total asset turnover analysis using IFRS-reporting companies Nestlé and Kraft Foods
- Some revised end-of-chapter questions based on IFRS-reporting companies, including comparative analysis with U.S. competitors

Chapter 9

A driving force. Two successful entrepreneurs show that the business of motivational training can reap great rewards. As most of its “assets” are people, employee wages and benefits are the business’s most significant expenses. Highlights of this chapter include

- Revisions for IFRS treatment of contingent liabilities
- New diagram for contingent liabilities
- Some revised end-of-chapter questions based on IFRS-reporting companies

Chapter 10

Swimming in a brave new world. Chapter 10 opens with the founder of a fish business, which is now a major listed company. Expansion has come at the cost of borrowing and a delicate balance must be maintained. Long-term funding is the focus of this chapter. Other highlights of this chapter include:

- IFRS treatment of bonds and leases
- Revised debt-to-equity ratio analysis using an IFRS-reporting company
- Some revised end-of-chapter questions based on IFRS-reporting companies

Chapter 11

“Do not take air for granted” is what patients with a special pulmonary disease would tell us. The opening story shows how three entrepreneurs designed a portable oxygen system to help these patients and managed to attract equity financing from investors. Highlights of the chapter include

- Revisions with IFRS treatment of preferred stock
- Some revised end-of-chapter questions based on IFRS-reporting companies

Chapter 12

Everyone loves animation! The founders of one of the most prolific animation companies in Asia discover that managing cash flows for their production projects is a challenging task. This chapter shows how profitable companies still have to manage cash flows well. Other highlights of this chapter include

- A new diagram on cash effects of changes in current assets and liabilities
- Detailed explanations on the preparation of indirect cash flow method using IFRS, which shows tax and interest separately
- Revised cash flow on total assets analysis using IFRS-reporting company Nestlé
- Some revised end-of-chapter questions based on IFRS-reporting companies

Chapter 13

A fool and his money are soon parted. Two brothers set up the famous Motley Fool Website to help people become more savvy in financial matters. This final chapter on basic financial statement analysis aptly wraps up the book. Highlights include

- Revisions with IFRS-reporting companies Adidas and Puma
- Revised appendix on IFRS format for statement of comprehensive income
- Some revised end-of-chapter questions based on IFRS-reporting companies and IFRS statement formats

Instructor Supplements

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Instructor's Resource CD-ROM

ISBN 978-007-107897-9

MHID 007-107897-5

This is your all-in-one resource. It allows you to create custom presentations from your own materials or from the following text-specific materials provided in the CD's asset library:

- **Instructor's Resource Manual**

This manual contains (for each chapter) a lecture outline, a chart linking all assignment materials to learning objectives, a list of relevant active learning activities, and additional visuals with transparency masters.

- **Solutions Manual**

This manual contains answers to all questions found in all the sections at the end of each chapter: Discussion Questions, Quick Study, Exercises, Problem Sets A and B, and Beyond the Numbers.

- **PowerPoint® Presentations**

Presentations allow for revision of lecture slides, and include a viewer, allowing screens to be shown with or without the software.

- **Test Bank**

- **Excel Template Assignments**

Online Learning Center

Instructors can also access all of the above resources at the Online Learning Center (OLC), www.mheducation.asia/olc/wildkwok.

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John J. Wild

Preface and Acknowledgments

Judicious and Practical Coverage of IFRS

This is an introductory text best used in the first of three semesters' coverage of financial accounting in most undergraduate programs. Therefore, the coverage of IFRS (including IAS, IFRIC and SIC, which are all standards and interpretations) is not meant to be comprehensive. With that in mind and not to overwhelm students new to accounting, some related topics are mentioned as points on the side margins or in the appendices. For example, revaluation of property, plant and equipment is mentioned as a point on the side margin in Chapter 8 and leases as an appendix in Chapter 10. These are topics typically covered thoroughly in intermediate or advanced accounting courses.

Another issue is the terms used. The text uses the actual 2008 financial statements of IFRS-reporting companies such as Nestlé and Adidas. To help students' learning, the terms used in the text examples are consistent with these actual financial statements. Again, changes or updates are strategically mentioned in the text. For example, the annotation in the side margin on page 18 states that there are new names for the financial statements (e.g., *statement of financial position* instead of *balance sheet*). At the time of printing of this text, the 2009 financial statements of Nestlé and Adidas still use the traditional names such as balance sheet. The new names are not mandatory.

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