College Accounting

14TH EDITION

CHAPTERS 1-20



HEINTZ / PARRY / CARLSON

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Preface

Trial Balance

This textbook is designed for students of accounting, business administration, office technology, computer science, and other disciplines. Anyone who desires a successful career in business and nonprofit organizations must understand accounting. This book provides a thorough and efficient introduction to fundamental accounting concepts and principles. Student understanding is emphasized throughout the text.

IMPORTANT FEATURES OF THE FOURTEENTH EDITION

The basic foundation that has made this text so successful for many years has been retained in the fourteenth edition. In response to user feedback and independent reviews by accounting educators, numerous improvements have been made. The text material has been reorganized both as a whole and within specific chapters, and new materials have been added.

NEW Learning Objectives

Each chapter begins with learning objectives. These objectives are referenced to text material throughout each chapter by the use of marginal captions. The learning objectives are also keyed to the chapter summaries, end-of-chapter exercises and problems, test bank, and study guide.

The following illustration shows Learning Objective 5 from Chapter 3 as it appears in the margin, in the Key Points summary, and in an exercise.

The fill of the control of the preparing the financial statements.

The fill of the control of the preparing the financial statements.

The following accounts have normal balances. Prepare a trial balance for Mary's Delivery Service as of September 30, 19--.

NEW Learning Keys

Debits are always on the left, and credits are always on the right for *all* accounts.

Throughout the text, learning keys are placed in the margin to emphasize important new points. These keys direct student attention to such things as the application of new accounting concepts, how to journalize and post a transaction, relationships among accounts, and how to make an important calculation. A learning key from page 46 is shown in the margin.

NEW Key Steps

Key steps are incorporated to show students how to accomplish specific objectives. The steps are used for many purposes, including how to prepare a bank reconciliation or a work sheet, how to post subsidiary and general ledger accounts, and how to find the cause of errors in a bank reconciliation or trial balance.

NEW Illustrations

Accounting documents and records, diagrams, and flow charts are used throughout the text to help students visualize important concepts. There is a major increase in the use of illustrations in the fourteenth edition, particularly when any new accounting principles or procedures are introduced. Important examples are as follows:

- Use of the accounting equation. In analyzing business transactions, students must understand the impact of an event on specific accounts in the accounting equation. Throughout Chapters 2 and 3, we repeat the accounting equation as a header for each entry made for specific transactions. This enables the student to see where each account fits in the equation, how the account is increased or decreased, and the effect each entry has on the balance of the equation.
- Owner's equity umbrella. In Chapter 3, the owner's equity umbrella illustrates how revenue, expense, and drawing affect owner's equity.
- Accounting equation and financial statements. In Chapter 2, we illustrate the direct linkages between the balances in the accounting equation and the financial statements.
- Trial balance and financial statements. In Chapter 3, we show how a trial balance is used to develop a set of financial statements.
- Work sheet and financial statements. In Chapter 6, we show the linkages (a) between the Income Statement columns of the work sheet and the income statement, and (b) between the Balance Sheet columns of the work sheet and the statement of owner's equity and balance sheet.
- Work sheet and cost of goods sold. In Chapter 14, we illustrate the linkages between the information extended to the Income State-

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ment columns of the work sheet and the cost of goods sold section of the income statement.

 Work sheet and closing entries. In Chapter 15, we illustrate the linkages between the Income Statement and Balance Sheet columns of the work sheet and the closing entries.

NEW Key Points Chapter Summaries

Each chapter ends with a summary of key points. This provides an efficient way for students to review important chapter material.

NEW Key Terms

At the end of each chapter, a list is provided of all important new terms introduced in the chapter. Each term is followed by the page number on which the term is first used in the chapter, and a definition.

Building Your Accounting Knowledge

Building Your Accounting Knowledge review questions are provided at the end of each chapter.

Demonstration Problem and Solution

A complete demonstration problem and solution are provided at the end of each chapter. The problem is a comprehensive application of key concepts and principles introduced in the chapter.

Exercises and Problems

Three complete sets of exercises and problems have been prepared to facilitate instructor usage and student learning. At the end of each chapter, there are two sets (Series A and B) of exercises and problems. A third set is available through adoption of the study guide. Each exercise reinforces one concept developed in the chapter. Each problem links related concepts. Each exercise and problem is keyed to the chapter learning objectives.

Mastery Problem

A comprehensive mastery problem follows the exercises and problems at the end of each chapter. This problem is usually similar to the demonstration problem in content and purpose, except that no solution is provided. This problem can be used either to test or to further strengthen the students' overall grasp of the chapter materials.

NEW Comprehensive Problems

A comprehensive problem is provided at the end of Chapter 6 and Chapter 15. Each problem permits the student to review the entire accounting

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cycle. The Chapter 6 problem deals with a service business; a merchandising business is the focus of the Chapter 15 problem.

EMPHASIS ON SOUND PEDAGOGY

Our concern throughout the text is to facilitate student learning. Several dimensions of this sound pedagogy are worth emphasizing.

- **Worksheet acetates.** This multi-layer presentation (Chapter 5) of the worksheet provides the most effective demonstration of worksheet preparation found anywhere.
- Accounts receivable—Notes receivable. Notes receivable might come first on the balance sheet, but they do not come first in student understanding. Therefore, we cover the simpler, easier to understand subject of accounts receivable first (Chapter 16). Students are then better able to follow the notes receivable presentation (Chapter 17).
- Payroll. This sometimes difficult subject is taught in two chapters, taking advantage of the natural break between employee and employer taxes and related issues.
- **Voucher system.** This important topic is integrated into the sequence on accounting for a merchandise business (Chapters 11–15). By presenting this subject immediately following purchases and cash payments (Chapter 12), the student is shown the voucher system as a natural expansion of accounting for purchases.
- Sales and cash receipts—Purchases and cash payments. For sound learning and efficiency of presentation, each of these pairs of topics belongs together. The natural sequence of sales and cash receipts is reflected in Chapter 11. Similarly, Chapter 12 addresses the related activities of purchases and cash payments.
- Statement of cash flows. The FASB is encouraging firms to use the direct method of reporting cash flows from operating activities. But most companies currently use the indirect method. We illustrate both methods: the direct method in Chapter 24 and the indirect method in an appendix.
- Accounting forms. All journals, ledgers, and statements are presented on rulings. This emphasizes structure and helps students learn how to prepare these documents more quickly.
- Color. All journals are on blue rulings to differentiate these chronological records from ledgers and other processing documents, which are shown in yellow. Financial statements are white. Source documents vary in color, in the same manner that real-life documents do.
- Accounting relationships. Color is used to show accounting relationships. This helps the student see the important relationships more easily. Pages 28 and 67 are two examples of this frequently used pedagogical aid.

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Arrow pointers and text pointers. Arrow pointers and text pointers emphasize the derivations of numbers. For example, figure 6-3 shows number pointers that point from the source number to the resulting number, and text pointers contain additional information.

Accounting and Computers. Since students must know how to use computers in today's business world, opening balances for many problems are available for general ledger and spreadsheet software. Step-by-step instructions for solving several demonstration problems are provided. These instructions allow students who have never used a computer to learn how to use a general ledger program. This general ledger program also reinforces the accounting concepts and helps students master the accounting processes more quickly and easily. Accounting and Computers instructions are provided after Chapters 4, 6, 8, 11, 12, and 15. The Accounting and Computers appendix thoroughly explains how to work the computer applications. The EPS icons in the margin beside the end-of-chapter problems identify those problems with opening balances on the general ledger disk. The 123 icons in the margin beside the end-of-chapter problems identify those problems with opening balances on the spreadsheet template disk.

MAJOR CHANGES IN ORGANIZATION

In response to customer suggestions regarding the pace and degree of difficulty of some material presented early in the previous edition, the organization has been changed.

- Old Chapters 1–5 and 8 are now Chapters 1–10. The new Chapters 1–10 focus solely on a service business because most new jobs are in service businesses. The combination journal, which was integrated in the text beginning with old Chapter 3, is presented separately in a new Chapter 7. This new chapter compares the combination journal with the general journal used in earlier chapters. Students are shown how to design a journal to achieve greater efficiency in entering transactions.
- Old Chapters 6–7, 9–10, and 16 are now Chapters 11–15. The new chapters cover accounting for purchases and sales of merchandise, use of special journals and the voucher system, and preparation of the work sheet and financial statements for a merchandise business. This focuses student attention on accounting for a merchandise business after they have learned how to use the accounting model on the simpler service business. This organization also positions the important voucher system and internal accounting control concepts earlier in the text.
- Old Chapter 15 on accounting concepts and practices has been integrated throughout the text rather than being treated as a separate topic.

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- Old Chapters 11–14 covering various balance sheet accounts are now Chapters 16–19.
- Old Chapter 17 on partnerships is now Chapter 20. After learning how to account for both service and merchandise businesses, it is timely to introduce the more complicated partnership accounting at this point.
- The three chapters on bonds, statement of cash flows, and financial statement analysis are now part of a new sequence (Chapters 21–25) that emphasizes accounting for corporations.
- Old Chapters 27–29 are now Chapters 27–28. Chapter 27 discusses job order costing, which applies to both manufacturing and service businesses. Chapter 28 demonstrates the use of work sheets for a manufacturing business.

FOR THE INSTRUCTOR

- Solutions Manual. Solutions for all end-of-chapter materials. Separate manuals for Chapters 1 through 15 and Chapters 16 through 28.
- Solutions Transparencies. Solutions for all end-of-chapter materials. Separate packages for Chapters 1 through 15 and Chapters 16 through 28.
- Instructor's Resource Guide. Each chapter of this very helpful, comprehensive guide contains an overview, a chapter outline, teaching transparencies, an assignment table, teaching suggestions, and discussion material including a real-life problem. Information about the software and the videos is also included.
- **Test Bank.** Contains true and false questions, multiple choice questions, and problems with solutions. A microcomputer version (MicroSWAT III) of this printed material is also available.
- Achievement Tests. Two sets (A and B) of preprinted tests are available for each chapter. In addition, two preprinted placement test are available.
- **Teaching Transparencies.** Four-color teaching transparencies to reinforce important concepts in each chapter.
- Videos. Two types of videos—lecture replacement videos and videos explaining the demonstration problems for Chapters 1 through 15.

FOR THE STUDENT

- **Check Figures.** Check figures for end-of-chapter materials.
- Electronic Problem Solver. General ledger software with opening balances for many problems. The software also allows students to solve other problems.
- **LOTUS 1-2-3 Template Software.** Spreadsheet template software with opening balances for many problems.

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■ Practice Sets

Lee Chang, Computer Consultant. Service business organized as a sole proprietorship using a combination journal and includes source documents. Can be used after Chapter 8.

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Northern Micro. Merchandising business organized as a sole proprietorship. Can be used after Chapter 15.

Ryan and Lawrence Sporting Goods. Merchandising business organized as a partnership. Can be used after Chapter 20.

Highpoint Solar Inc. Job-order manufacturing business organized as a corporation. Can be used after Chapter 28.

Precision Fitness: Integrated Accounting—IBM. Merchandising business organized as a sole proprietorship. Computerized. Can be used after Chapter 15.

QLM Cellular Phones: Integrated Accounting—IBM. Merchandising business organized as a sole proprietorship. Includes payroll. Computerized. Can be used after Chapter 15.

Willett's Waterwear. Merchandising business organized as a sole proprietorship. Includes payroll and source documents. Can be used after Chapter 15.

- Study Guide. Includes a discussion of learning objectives, questions, exercises, problems, and practice test questions for each chapter. The study guide helps students master the materials from the chapter. Solutions are provided.
- Working Papers. Forms for end-of-chapter exercises, problems, and mastery problems. Separate books for Chapters 1–10, Chapters 1–15, Chapters 1–20, and Chapters 16–28.
- Integrated Accounting. Available for IBM and Macintosh computers. Accounting applications for proprietorships, partnerships, and corporations; service and merchandising businesses; departmentalized and nondepartmentalized businesses; and voucher systems are included.

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