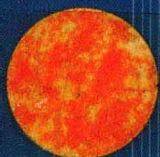
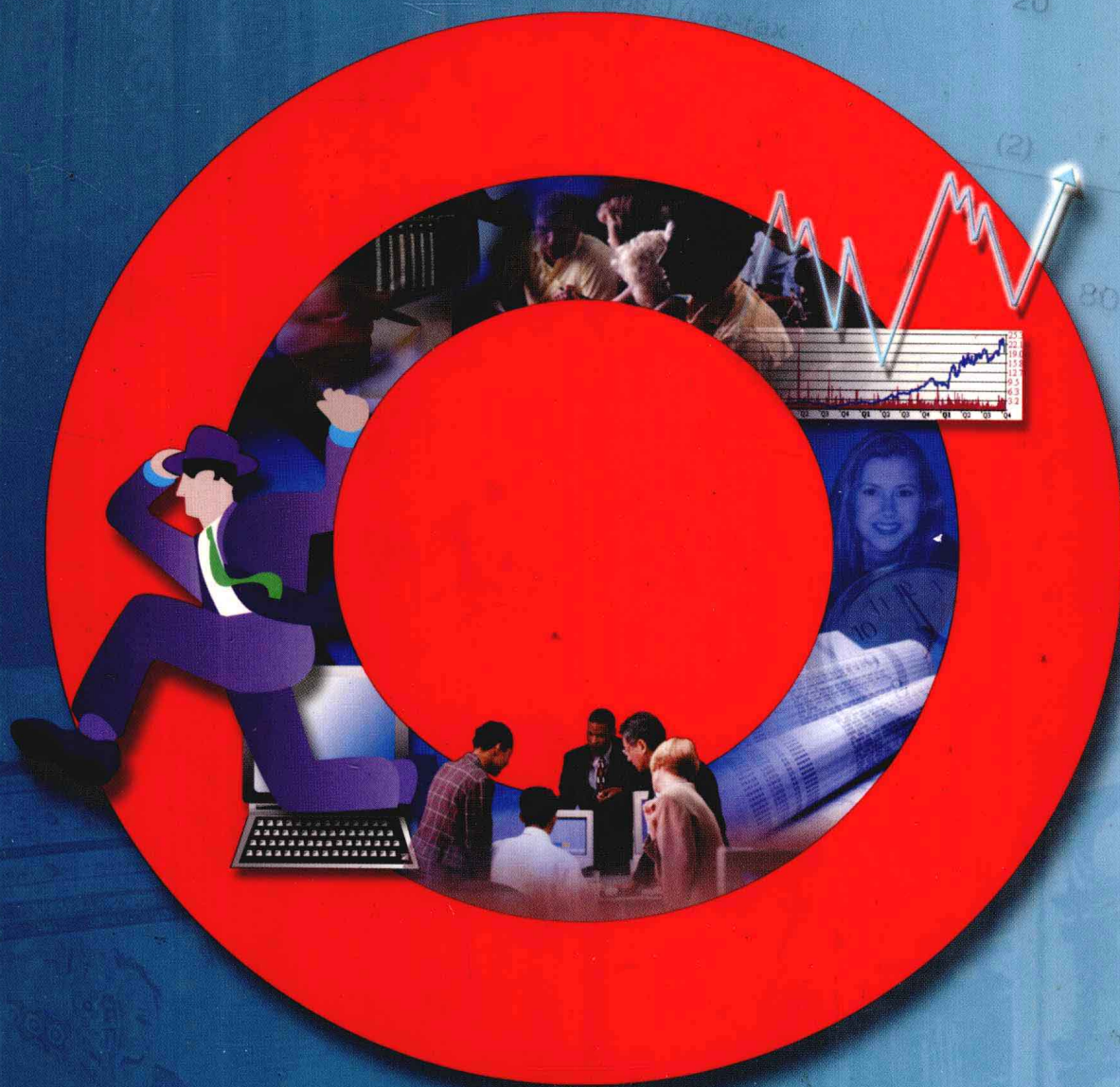


# Accounting

FIFTH EDITION



HORNGREN  HARRISON  BAMBER



# ACCOUNTING

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FIFTH EDITION

***Charles T. Horngren***

*Stanford University*

***Walter T. Harrison Jr.***

Prentice  
Hall

Upper Saddle River, New Jersey 07458

*To Betsy Willis and Becky Jones for their wisdom on learning and teaching over a 10-year period and to Michael Bamber for his insight on business practices and ethical issues in management accounting.*

**Library of Congress Cataloging-in-Publication Data**

Hornngren, Charles T.

Accounting / Charles T. Hornngren, Walter T. Harrison, Linda Smith Bamber; annotations by Betsy Willis, Becky Jones. — 5th ed.

p. cm.

Includes index.

ISBN 0-13-090699-9

I. Accounting. I. Harrison, Walter T. II. Bamber, Linda S. (Linda Smith), III. Willis, Betsy. IV. Jones, Becky. V. Title.

HF5635.H8 2001

657—dc21

2001016424

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Prentice  
Hall

10 9 8 7 6 5 4 3

ISBN 0-13-090699-9



# About the Authors

**Charles T. Horngren** is the Edmund W. Littlefield Professor of Accounting, Emeritus, at Stanford University. A graduate of Marquette University, he received his MBA from Harvard University and his Ph.D. from the University of Chicago. He is also the recipient of honorary doctorates from Marquette University and DePaul University.

A Certified Public Accountant, Horngren served on the Accounting Principles Board for six years, the Financial Accounting Standards Board Advisory Council for five years, and the Council of the American Institute of Certified Public Accountants for three years. For six years, he served as a trustee of the Financial Accounting Foundation, which oversees the Financial Accounting Standards Board and the Government Accounting Standards Board.

Horngren is a member of the Accounting Hall of Fame.

A member of the American Accounting Association, Horngren has been its President and its Director of Research. He received its first annual Outstanding Accounting Educator Award.

The California Certified Public Accountants Foundation gave Horngren its Faculty Excellence Award and its Distinguished Professor Award. He is the first person to have received both awards.

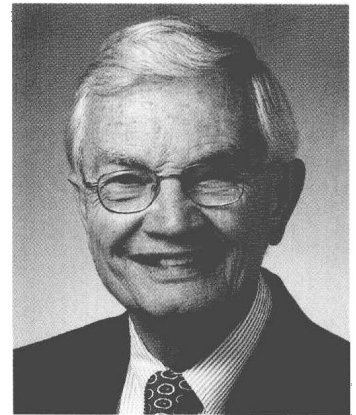
The American Institute of Certified Public Accountants presented its first Outstanding Educator Award to Horngren.

Horngren was named Accountant of the Year, Education, by the national professional accounting fraternity, Beta Alpha Psi.

Professor Horngren is also a member of the Institute of Management Accountants, where he has received its Distinguished Service Award. He was a member of the Institute's Board of Regents, which administers the Certified Management Accountant examinations.

Horngren is the author of other accounting books published by Prentice-Hall: *Cost Accounting: A Managerial Emphasis*, Tenth Edition, 2000 (with George Foster and Srikant Datar); *Introduction to Management Accounting*, Twelfth Edition (with Gary L. Sundem and William Stratton); *Introduction to Financial Accounting*, Eighth Edition, 2002 (with Gary L. Sundem and John A. Elliott); and *Financial Accounting*, Fourth Edition, 2001 (with Walter T. Harrison, Jr.).

Horngren is the Consulting Editor for the Charles T. Horngren Series in Accounting.

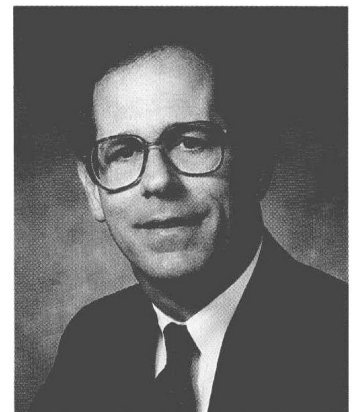


**Walter T. Harrison, Jr.** is Professor of Accounting at the Hankamer School of Business, Baylor University. He received his B.B.A. degree from Baylor University, his M.S. from Oklahoma State University, and his Ph.D. from Michigan State University.

Professor Harrison, recipient of numerous teaching awards from student groups as well as from university administrators, has also taught at Cleveland State Community College, Michigan State University, the University of Texas, and Stanford University.

A member of the American Accounting Association and the American Institute of Certified Public Accountants, Professor Harrison has served as Chairman of the Financial Accounting Standards Committee of the American Accounting Association, on the Teaching/Curriculum Development Award Committee, on the Program Advisory Committee for Accounting Education and Teaching, and on the Notable Contributions to Accounting Literature Committee.

Professor Harrison has lectured in several foreign countries and published articles in numerous journals, including *The Accounting Review*, *Journal of Accounting Research*, *Journal of Accountancy*, *Journal of Accounting and Public Policy*, *Economic Consequences of*





*Financial Accounting Standards, Accounting Horizons, Issues in Accounting Education, and Journal of Law and Commerce.* He is coauthor of *Financial Accounting*, Fourth Edition, 2001 (with Charles T. Horngren and *Accounting*, Fifth Edition, 2002 (with Charles T. Horngren and Linda S. Bamber) published by Prentice Hall. Professor Harrison has received scholarships, fellowships, research grants or awards from PriceWaterhouseCoopers, Deloitte & Touche, the Ernst & Young Foundation, and the KPMG Foundation.



**Linda Smith Bamber** is Professor of Accounting at the J.M. Tull School of Accounting at the University of Georgia. She graduated summa cum laude from Wake Forest University, where she was a member of Phi Beta Kappa. She is a certified public accountant. For her performance on the CPA examination, Professor Bamber received the Elijah Watt Sells Award in addition to the North Carolina Bronze Medal. Before returning to graduate school, she worked in cost accounting at RJR Foods. She then earned an MBA from Arizona State University, and a Ph.D. from The Ohio State University.

Professor Bamber has received numerous teaching awards from The Ohio State University, the University of Florida, and the University of Georgia, including selection as Teacher of the Year at the University of Florida's Fisher School of Accounting.

She has lectured in Canada and Australia in addition to the U.S., and her research has appeared in numerous journals, including *The Accounting Review*, *Journal of Accounting Research*, *Journal of Accounting and Economics*, *Journal of Finance*, *Contemporary Accounting Research*, *Auditing: A Journal of Practice and Theory*, *Accounting Horizons*, *Issues in Accounting Education*, and *CPA Journal*. She provided the annotations for the *Annotated Instructor's Edition* of Horngren, Foster, and Datar's *Cost Accounting: A Managerial Emphasis*, Seventh, Eighth, and Ninth Editions.

A member of the Institute of Management Accounting, the American Accounting Association (AAA), and the AAA's Management Accounting Section and Financial Accounting and Reporting Section, Professor Bamber has chaired the AAA New Faculty Consortium Committee, served on the AAA Council, the AAA Research Advisory Committee, the AAA Corporate Accounting Policy Seminar Committee, the AAA Wildman Medal Award Committee, the AAA Nominations Committee, and has chaired the Management Accounting Section's Membership Outreach Committee. She served as Associate Editor of *Accounting Horizons*, and is serving as editor of *The Accounting Review* from 1999 to 2002.



# preface



TARGET STUDENT SUCCESS

*This is what I especially like about this textbook. There are always ways of checking yourself to make sure you are understanding what you are reading. I am really impressed with the book. It is so well put together that all the subjects seem to flow together and offer a complete knowledge of the accounting world.*

—**Lisa Cronauer, student, Saint Leo University**

*[This textbook is] easy to understand and made me feel that accounting could possibly be my major. . . . This textbook [is] a valuable learning tool that will aid me in the future.*

—**Carrie Hupp, student, Middle Tennessee State University**

Teaching accounting today means helping students navigate a changing business world. It means helping them succeed in the classroom and in their careers. Whether this is the first or only accounting course students take, learning the fundamentals of accounting can help them make better decisions, evaluate real-world situations, and understand the value of “crunching the numbers.”

In *Accounting, fifth ed.*, publisher, authors, faculty, and students target a common goal: improving student success and understanding of accounting concepts. This edition provides:

- The most motivational text and writing style
- The best assessment and reinforcement tools
- The widest assortment of technology resources
- The best free student resources
- The best service and support for faculty

We believe *Accounting, fifth ed.*, offers the best possible system for student success, and we invite you to learn more about it. We welcome your comments and suggestions.

**CHARLES T. HORNGREN**  
STANFORD UNIVERSITY

© **WALTER T. HARRISON, JR.**  
BAYLOR UNIVERSITY

© **LINDA SMITH BAMBER**  
UNIVERSITY OF GEORGIA





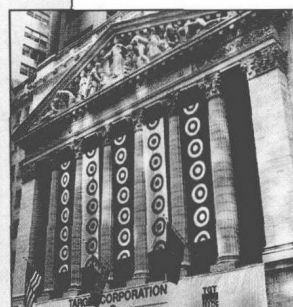
# TARGET STUDENT SUCCESS: MOTIVATE LEARNING

## Chapter Opening Vignettes and On Location! Videos

The chapter-opening vignettes thrust students into the real world of accounting—where business decisions affect the future of actual organizations. Vignettes provide the real business context for chapter topics. Companies include Target, NetGenesis, Lucent and MCI WorldCom, McDonald's, AOL Time Warner, and more.

Many of the chapter-opening vignettes are linked to our unique, custom-created **On Location! Videos**. Each 5- to 10-minute video provides a "plant tour" introducing students to the business professionals who are using accounting information to enhance the success of their organizations. **NEW segments** include Cisco, Nantucket Nectars, Teva Sandals, Oracle, and others.

You probably recognize the bulls'-eye logo. You may even do your shopping at a Target, Mervyn, Marshall Field, Dayton, or Hudson store. All these companies are part of the retail empire known as **Target Corporation**. It is a pacesetter in retailing: Target stores are currently the place to find the latest fashions at the best prices. Target is also a pacesetter in philanthropy and community relations. Through its Five Percent Club, the company donates 5% of its taxable income to support charities in the communities where it operates. In 2000, Target gave more than \$1 million every week to local communities. The company, which employs about 189,000 people nationwide, is considered a good employer. *Working Mother* magazine has recognized Target as a "Top Work Place for Women." Target sells its merchandise through nearly 900 stores in 44 states, and through its Web site on the Internet. It is one of the largest mass-merchandise retailers in the United States, ringing up sales of over \$33 billion in the year ended January 31, 2000.



## NEW Featured Company: Target

The fifth edition includes the **Target Annual Report** both as an appendix within the text and as a separate booklet shrinkwrapped with each copy. We also highlight Target in Chapter 5 and in financial statement cases throughout the book.

### e-Accounting



#### Varsitybooks.com: A Textbook Case on the Fulfillment Cost Conundrum

Order the fifth edition of *Accounting* from Varsitybooks.com and the company arranges for Baker & Taylor—book distributors—to ship it to you immediately. Varsitybooks doesn't have a warehouse or any inventory, but it does have to pay Baker & Taylor for this convenient arrangement. How does the fledgling dot.com account for these costs?

As you know from personal experience, e-commerce has revolutionized business. It has bent certain accounting rules in the process. One such rule is that the cost of goods sold to customers is usually considered the "cost of goods sold." Yet, on-line powerhouses like Amazon.com and eToys, Inc. count some of this cost as "sales and marketing expenses" because they never own the inventory. By listing these "fulfillment costs" as marketing expense, new-age companies don't have to subtract the costs from their gross profit. This seemed like a good idea to Varsitybooks, and its managers announced to their auditor, KPMG, that they wanted to do the same.

After all, Varsitybooks argued, mail-order companies have always done this. And the practice would allow the new agers to keep from reporting razor-thin profit margins. For instance, if the SEC tightens the rules and makes Amazon.com account for fulfillment cost as "cost of sales," gross profit margins for the last quarter of 1999 would go from 15% to -3%. The company's sales and net profit or net loss amounts would remain the same, but analysts looked at the gross profit figure to see how well a company can make money from basic business operations.

Small wonder that this approach is controversial! Varsitybooks.com fired KPMG when the auditors objected to it. They hired PricewaterhouseCoopers instead, but in the end Varsitybooks had to follow the traditional accounting procedures anyway. The auditors knew best after all.

Source: Based on Shannon Henry, "An E-Tail Identity Crisis," *The Washington Post*, May 4, 2000, p. E01. Anonymous, "Web Retailers' 'Gross Profit' Questioned: E-commerce: The SEC may make some firms account for distribution costs, possibly turning their profits into losses," *The Los Angeles Times*, February 19, 2000, p. 2.



Exhibits 5-10 and 5-11 tell an interesting story at a low gross profit margin.


## NEW e-Accounting Boxes

Nothing has changed business more in recent years than the Internet. Horngren/Harrison/Bamber's new e-Accounting boxes focus on the accounting issues affecting companies doing business on the World Wide Web, such as CDNow, Priceline.com, and DHL.



## Work It Out Boxes

These exercises allow students to work out problems related to text concepts. Answers are provided for immediate reinforcement.




**WORK IT OUT**

Calculate the rate of inventory turnover for Safeway, Inc., the large grocery chain (amounts in millions).

Beginning inventory .....	\$ 1,856
Ending inventory .....	2,445
Cost of goods sold .....	20,349

*Answer*      **Inventory turnover** =  $\frac{\text{Cost of goods sold}}{(\text{Beginning inventory} + \text{Ending inventory})/2}$

=  $\frac{\$20,349}{(\$1,856 + \$2,445)/2} = 9.5 \text{ times per year}$



**THINK IT OVER**

How much did Proctor & Gamble (P&G) borrow from the bank? \$98,000 or \$100,000? How much will they pay back?

*Answers*

P&G borrowed \$98,000, the amount of cash the company received. They will pay back \$100,000 at maturity.

## Think It Over Boxes

These exercises ask students to reflect on and apply concepts they've just learned. Again, answers are provided for immediate reinforcement.

## Decision Guidelines with *NEW* Excel Application Problems

Why should English or engineering majors care about accounting? Easy! **Decision Guidelines** are designed to show *when, why, and how* all managers—not just accountants—use accounting information to make good business decisions. Many of the Decision Guidelines now include **optional Excel Application Problems** for a hands-on approach. Excel is the single piece of applications software every business professional must master. These problems give students a step-by-step guide to creating Excel templates to solve accounting and financial dilemmas.

### DECISION GUIDELINES

#### Merchandising Operations and the Accounting Cycle

**DECISION**

How do merchandising operations differ from service operations?

How do a merchandiser's financial statements differ from the financial statements of a service business?

**Income Statement:**

**Merchandiser**

Sales revenue .....	\$ XXX
– Cost of goods sold .....	(X)
= Gross profit .....	XX
– Operating expenses .....	(X)
= Net income .....	<u>\$ X</u>

**Statements of Owner's Equity:**

Which type of inventory system to use?

How do the adjusting and closing processes of merchandisers and service entities differ?

**GUIDELINES**

- Merchandisers buy and sell *merchandise inventory*.
- Service entities perform a *service*.

**Balance sheet:**

- Merchandiser has *inventory*, an asset.
- Service business has no inventory.

**Service Business**

Service revenue .....	\$XX
– Operating expenses .....	(X)
= Net income .....	<u>\$ X</u>

No difference

- *Perpetual system* shows the amount of *inventory* on hand (the asset) and the cost of goods sold (the expense) at all times.
- *Periodic system* shows the correct balances of inventory and cost of goods sold only after a physical count of the inventory, which occurs at least once each year.

Very little. The merchandiser may have to add an inventory account for spoilage and

## NEW "Lessons Learned"

At the end of each chapter, this feature gives students the key "takeaway" lessons from the chapter that they should retain in preparation for testing.

### LESSONS LEARNED

1. **Use sales and gross profit to evaluate a company.** The major revenue of a merchandising business is *sales revenue*, or *sales*. The major expense is *cost of goods sold*. Net sales minus cost of goods sold is *gross profit*, or *gross margin*. This amount measures the business's success or failure in selling its products at a higher price than it paid for them.
2. **Account for the purchase and sale of inventory.** The merchandiser's major asset is inventory. In a merchandising entity, the accounting cycle is from cash to inventory as the inventory is purchased for resale, and back to cash as the inventory is sold. The *invoice* is the business document generated by a purchase or sale transaction. Most merchandising entities allow customers to *return unsuitable merchandise and to offer discounts*.
4. **Prepare a merchandise income statement in single-step format.** A single-step income statement has two sections—one for revenue and a single income amount. A single income statement has sales revenue and income from operations.
5. **Use the gross profit percentage to evaluate a business.** The gross profit percentage (gross sales revenue divided by gross goods sold/average inventory) measures how well a business controls its costs.

## UNIQUE Concept Links

To keep previously covered material fresh in students' minds, concept links appear in the margins of the text. They explain how earlier topics are relevant to the new material being introduced. For students who need to go back and review, the margin links include a page cross reference.

## Running Glossary

Is terminology important to student success? You bet! All key terms are boldface within the text at introduction, with a definition in the margin.

## MORE Internet Exercises

**Internet Exercises** now appear in every chapter, and include such companies as eBay, Intuit Inc., Southwest Airlines, General Motors, FedEx, and Amazon.com. To do these exercises, students go first to the book Web site, and then use hotlinks to the company sites to complete the work.

## NEW CyberCoach

At three points in each chapter, the CyberCoach icon directs the student to exercises on the text Web site at [www.prenhall.com/horngren](http://www.prenhall.com/horngren)



[www.prenhall.com/horngren](http://www.prenhall.com/horngren)

- At the beginning of each chapter, to see if they have mastered concepts covered in the previous chapter. (*Readiness Assessment*)
- At mid-chapter, to see if they have learned chapter topics up to this point. (*Mid-Chapter Assessment*)
- At the end of each chapter, to see if they have mastered the chapter as a whole. (*End-of-Chapter Assessment*)

With CyberCoach, students can check their answers and monitor their progress as they learn. Now they're better prepared for class, for homework assignments, and for examinations.





# TARGET STUDENT SUCCESS: REINFORCEMENT

In addition to CyberCoach, the fifth edition offers other unique, targeted student self-evaluation materials, plus a full program of assignment exercises, problems, and cases for each chapter.

## Daily Exercises

These unique, single-concept exercises appear in the end-of-chapter assignment material. Daily Exercises serve as warm-ups or confidence builders. Each is linked to the text material so that students may refer back for additional assistance. Each is also cited in the margin at the appropriate point in the text.

**ASSESS YOUR PROGRESS**

**DAILY EXERCISES**

**DE5-1** Refer to Exhibit 5-1, page 192, Target Corporation's income statement. Identify the title and the amount of Target's

- Revenue before subtracting any expenses
- Excess of sales revenue over cost of goods sold
- Bottom-line operating performance

**DE5-2** Compare the income statements of two companies.

- Target Corporation (Exhibit 5-1, page 192)

**EXHIBIT 5-1 A Leading Merchandiser's Income Statement**

**TARGET CORPORATION**  
Income Statement (Adapted)  
Year Ended January 31, 2000

	Millions
Net sales revenue [same as Net Sales] .....	\$33,212
Cost of goods sold [same as Cost of sales] .....	23,029
Gross profit [same as Gross margin] .....	10,183
Selling, general, and administrative expenses .....	7,490
Depreciation expense .....	854
Interest expense .....	393
Other expenses, net .....	302
Total operating expenses .....	\$ 9,039
Net earnings [same as Net income] .....	\$ 1,144

**SALES REVENUE.** The amount that a merchandiser earns from selling its inventory. Also called **sales**.

## Enhanced PH ReEnforcer Tutorial Software\*

This Windows-based tutorial software enables students to test their understanding of key concepts through a variety of exercises, with immediate feedback. A "Quick Tour" tutorial provides an overview of the program. New and enhanced exercise types include:

- *Multiple Choice Questions*
- *Financial Statement Analysis Questions* (Students manipulate a financial statement by entering transactions.)
- *T-account Problems* (Students complete journal entries, then select the T-accounts, and then enter numbers.)
- *General Problems* (Students integrate accounting terms into their vocabulary by writing journal entries, using terms from the text.)

## Enhanced PHAS General Ledger Tutorial\*

This Windows-based software reinforces accounting procedures through hands-on activity. Problem templates allow students to enter their own problems and complete the entire accounting cycle: journalize, post, print multiple reports, and close. A "Quick Tour" overviews the program and offers online help.

\*The software is free to students when downloaded from the text Web site. Students may also purchase a CD-ROM containing the software packaged to their book.



# TARGET STUDENT SUCCESS: WHAT'S NEW IN THIS EDITION

Every topic, every sentence, every word in every chapter has been carefully reviewed to

- **Streamline the exposition** to make text clearer and more direct.
- **Enhance readability** to make the text as accessible as possible to students taking accounting for the first time.
- **Place exhibits** as close to the introductory text reference as possible to make them easier for students to use and learn from.
- **Integrate e-commerce, Internet, and technology** information and examples wherever possible.
- **Add new real-company examples**, including hi-tech companies like Lucent Technologies and Cisco Systems, MCI WorldCom, Dell Computer, and dot.coms like Priceline.com, and Amazon.com.

Here are the major chapter changes:

## Chapter 1: Accounting and the Business Environment

- **NEW** Chapter vignette: Texas Tobacco Lawyers
- **NEW** Continuing example of sole proprietorship: Gay Gillen eTravel
- **NEW** e-Accounting box: Microstrategy: A Cautionary Tale for the New Economy

## Chapter 2: Recording Business Transactions

- **NEW** Chapter vignette: e-Retailers
- **NEW** e-Accounting box: The Seven Trillion Dollar Mistake (the Pentagon's accounting problems)

## Chapter 3: Measuring Business Income: The Adjusting Process

- **NEW** e-Accounting box: Grossing up the Revenue: Priceline.com and Ventro
- **NEW** Decision Guidelines Excel exercise

## Chapter 4: Completing the Accounting Cycle

- **NEW** Vignette: NetGenesis
- **NEW** e-Accounting box: A Forced Debt Ratio for South Korea's Companies
- **NEW** Decision Guidelines Excel exercise

## Chapter 5: Merchandising Operations and the Accounting Cycle

- **NEW** Vignette: Target (annual report company), also used throughout chapter
- **NEW** e-Accounting box: Varsitybooks.com: A Textbook Case on the Fulfillment Cost Conundrum
- **NEW** Comparison of service entities vs. merchandisers for ease of understanding

## Chapter 6: Accounting Information Systems

- **NEW** e-Accounting box: Accounting Pioneers on the Virtual Frontier (virtual/online accountants)

## Chapter 7: Internal Control, Managing Cash, and Making Ethical Judgments

- **NEW** e-Accounting box: The Barings Bank Debacle
- **NEW** section on Internal Controls for e-Commerce



## **Chapter 8: Accounts and Notes Receivable**

- **NEW** Vignette: NYJets/Oracle
- **NEW** e-Accounting box: Merchant Beware: Credit Cards Boom with Online Sales . . . But So Does Fraud

## **Chapter 9: Merchandise Inventory**

- **NEW** Vignette: Deckers Outdoor (Teva)
- **NEW** e-Accounting box: It's a Bird . . . It's a Plane . . . It's a Warehouse! DHL Worldwide Express
- **NEW** Decision Guidelines Excel exercise

## **Chapter 10: Plant Assets and Intangible Assets**

- **NEW** e-Accounting box: Singapore International Airlines: Ratcheting Up the Value of Tangibles and Intangibles
- Intangibles: expanded and updated section to reflect fact that intangibles are sometimes now more important than tangibles.

## **Chapter 11: Current Liabilities and Payroll**

- **NEW** e-Accounting box: A Taxing Dilemma: Sales Tax Liability and the Internet
- Simplified and revised section on Contingent Liabilities with new and current example of Sun Microsystems and Microsoft lawsuit

## **Chapter 12: Partnerships**

- **NEW** Vignette: Arthur Andersen
- **NEW** e-Accounting box: The Limited But Lively Life of a Dot.Com Partnership
- Updated and expanded section on S Corporations

## **Chapter 13: Corporations: Paid-in Capital and the Balance Sheet**

- **NEW** e-Accounting box: UPS Delivers the Dough at Record-breaking IPO
- **NEW** Work It Out boxes using IHOP

## **Chapter 14: Retained Earnings, Treasury Stock, and the Income Statement**

- **NEW** Vignette: America OnLine and TimeWarner
- **NEW** e-Accounting box: Stock Buybacks Catch On in Europe
- Streamlined and revised: Recording Stock Dividends, Stock Splits, Treasury Stock

## **Chapter 15: Long-Term Liabilities**

- **NEW** Vignette on Internet startups and online information
- **NEW** e-Accounting box: Borrowers OnLine: Click Here to Lend Us \$6 Billion
- Extensive example material using Amazon.com and eBay throughout chapter
- Internet startups like Vista.com

## **Chapter 16: Investments and International Operations**

- **NEW** Vignette: McDonald's
- **NEW** e-Accounting box: Avon Products Inc.: Staying Up When the Currency Goes Down
- Streamlined coverage of Accounting for International Operations, with new examples such as Infosys and Nokia

## **Chapter 17: The Statement of Cash Flows**

- **NEW** Vignette: drkoop.com's and MotherNature.com's cash flow problems
- **NEW** e-Accounting box: Cash Crunch Turns CDNow into CDThen

## **Chapter 18: Financial Statement Analysis**

- *NEW* Vignette: Lucent and MCI WorldCom
- *NEW* e-Accounting box: Peer Performance: Benchmarking on the Web
- *NEW* Decision Guidelines Excel exercise

## **Chapter 19: Introduction to Management Accounting**

- *NEW* e-Accounting box: Refining Dining with Data Mining
- *NEW* section on Time-Based Competition including updated e-commerce and JIT discussion
- *NEW* Decision Guidelines Excel exercise

## **Chapter 20: Job Costing**

- *NEW* e-Accounting box: Radio-frequency Identification System: Smart Tags for Tracking Parts and Products
- *NEW* Think It Over exercises on how managers can use job costing information
- *NEW* section: "How Technology Has Affected Job Costing"

## **Chapter 21: Process Costing**

- *NEW* e-Accounting box: Using Overseas Labor to Cut Process Costs
- Step-by-step explanation of conversion costs and equivalent units in "Building Blocks of Process Costing," with detailed example

## **Chapter 22: Cost-Volume-Profit Analysis**

- *NEW* e-Accounting box: Kozmo.com and Urbanfetch.com: Can They Continue to Deliver the Goods for Free?
- *NEW* continuing CVP example: e-retailer
- *NEW* discussion of ERP and CVP analysis
- *NEW* Financial Statement Case, using Target
- *NEW* Decision Guidelines Excel exercise

## **Chapter 23: The Master Budget and Responsibility Accounting**

- *NEW* Vignette: Habitat for Humanity
- *NEW* section: Budgeting, Sensitivity Analysis, and Information Technology
- Responsibility Accounting revised to highlight role of budget in performance evaluation
- *NEW* Financial Statement case linked to Target annual report

## **Chapter 24: Flexible Budgets and Standard Costs**

- Setting Standards: Completely revised, with new discussion of effects of e-commerce on price standards
- *NEW* Think It Over with user emphasis
- *NEW* examples of how real companies use variance information

## **Chapter 25: Activity-Based Costing and Other Cost Management Tools**

- *NEW* e-Accounting box: Point, Click, Buy, Sell: Businesses Cut Costs by Buying and Selling Online
- Heavily revised to provide more and better coverage of ABC, including numerical examples and more user focus, plus more and better coverage of JIT
- More real-world examples and survey evidence
- *NEW* Discussion of supply chain management and JIT

## **Chapter 26: Special Business Decisions and Capital Budgeting**

- *NEW* e-Accounting box: We Brand It, You Make It: The Outsourcing Trend
- Expanded discussion of outsourcing, including Web's role in outsourcing decisions
- *NEW* Decision Guidelines Excel exercise





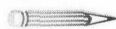
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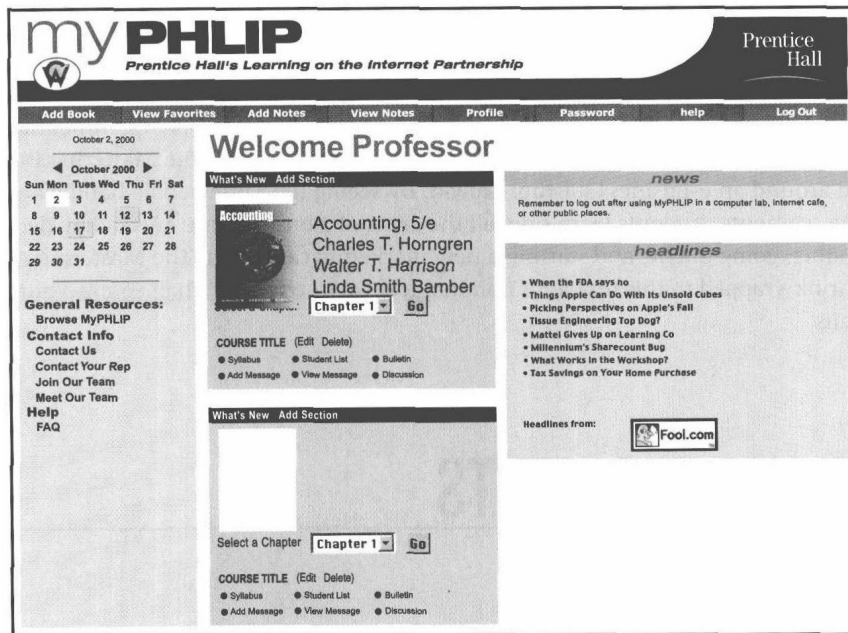


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## ACKNOWLEDGMENTS

### *Special thanks to*

Student reviewers who provided us with quotable assessments of the book:

Patricia Colarusso, Luzerne County Community College

Lisa Cronauer, Saint Leo University

Carla Hillhouse, Middle Tennessee State University

Carrie Hupp, Middle Tennessee State University

JoAnne Jones, Macomb Community College

Pam Walsh, Oakland Community College

Professor Michael Bamber of the University of Georgia for help and support in preparing text and assignments

Professor Lynn Mazzola of Nassau Community College for her help in checking assignment material and reading the text of Chapters 19–26

Students Chaundolyn Johnson and Grant Rumsey, at the University of Georgia, for their help in checking assignments for Chapters 19–26

Professor Jean Hawkes of William Jewell College for revising the instructor's edition annotations

Writer Nancy Brandwein for the new e-Accounting boxes