



Introduction to Accounting: An Integrated Approach

**AINSWORTH
DEINES
PLUMLEE
LARSON**

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*First, and foremost, we dedicate this text to our families without whose love and support we never could have completed this project. To our spouses, **Scott Ainsworth, Linda Deines, Marlene Plumlee, and Doug Larson**, and to our children, **Heather, Dusty, Jennifer, Jeff, Matt, Sarah, Ashley, J. D., and Robyn**, we love you and we thank you for your patience. We would also like to thank the students of Kansas State University who used previous drafts of this textbook and gave us valuable suggestions for improvement. Finally, we would like to thank our development editors, Leslye Givarz and Kelly Lee, our executive editor, Jeff Shelstad, and the production and marketing departments at Irwin.*

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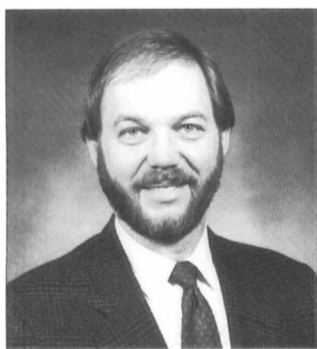
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Preface

WHY DID WE WRITE THIS TEXT?

This text is based on the philosophy that an introductory accounting text should emphasize the type of information that the language of business provides for decision makers. Learning only the mechanics of the accounting process is no longer adequate for understanding the critical role of accounting information in effective business decision making. On the other hand, learning the basic mechanics of the accounting process allows users of accounting information to understand how events are operationalized in the accounting system. Understanding the decision relevance of accounting information as well as the mechanics of the system is what we offer in *Introduction to Accounting: An Integrated Approach*.

Introduction to accounting courses serve a very diverse group of students, only a small percentage of which will continue as accounting majors. Therefore, these students need to understand that accounting is a vital link between business events and business decisions in a complex environment. Understanding this important concept better serves the needs of this student population and is the first step in attracting a more creative, broader thinking student into the accounting major.

A NEW AND RESPONSIVE PHILOSOPHY

The Bedford Report, the Big Eight White Paper, and the Accounting Education Change Commission all call for accounting education to keep pace with the dynamic changes occurring in the business world. Accounting, the authors of these documents argue, has become a broadly based information system limited only by the needs of the information user. These professionals urge accounting educators to turn from their rules-driven curricula to adopt a new approach

to the instruction of accounting. *Introduction to Accounting: An Integrated Approach* is a timely response to this call for change.

HOW HAVE WE SPECIFICALLY RESPONDED?

As you become more familiar with this text, you will note that it provides an innovative approach to familiar topics. In other words, we have taken topics traditionally taught in the first year-long accounting course at most two- and four-year institutions and presented them within a different context and organizational structure. Specifically, *Introduction to Accounting: An Integrated Approach* is built around three very important themes:

1. **Accounting is an information system that serves two diverse sets of users**—those internal to the organization and those external to the organization. Traditionally, accounting has addressed these two major audiences separately by segregating the financial accounting discipline, which primarily serves external users, from the managerial accounting discipline, which addresses the needs of internal users. *Introduction to Accounting: An Integrated Approach* exposes its readers to the idea that the accounting system provides information which is beneficial to both groups. Therefore, we integrate the coverage of managerial and financial accounting topics.
2. **The cash flow statement is a model to sequence information.** We organize information around operating, financing, and investing activities. We chose to focus on operating activities first for three primary reasons: (a) Businesses first address issues concerning products/services and customers, then financing and investing activities are considered. (b) Students are more familiar with operating

activities and, therefore, these activities are inherently easier to understand, reinforcing our idea of moving from simple to complex issues. (c) Classroom experience shows that students understand financing and investing activities better after grasping the issues surrounding operating activities.

- 3. The approach taken to accounting is a business cycle perspective.** Within the operating, as well as the financing and investing, parts of this text, we discuss business events according to the logical way businesses function. Businesses first plan activities (events), then they perform those activities, and finally they evaluate the results of those activities. Within this framework, the performance phase is when information is captured and recorded in the financial accounting system.

These last two organizational themes lead to a very straightforward and logical presentation of material within *Introduction to Accounting: An Integrated Approach*. Chapters 1–13, (the operating “half”), is organized as follows:

- Introduction to business and accounting
- Planning for operating activities (events)
- Performing (recording) operating activities
- Evaluating and controlling operating activities

Chapters 14–25, (the financing and investing “half”), is organized similarly:

- Introduction to financing and investing activities
- Planning for financing and investing activities (events)
- Performing (recording) financing and investing events
- Evaluating and controlling business—financing, investing, and operating activities

Just as Chapters 1 and 2 serve as an introduction to the business world and accounting’s role in it and set the stage for the entire book, Chapters 22–25 evaluate the firm’s overall performance, and really serve as a summary and analysis for the entire text presentation.

WHAT ARE OUR OBJECTIVES?

This text is designed to be used in a year-long financial/managerial, introductory, or principles of accounting course. *Introduction to Accounting: An Integrated Approach* is designed to benefit all students, regardless of their chosen major. In designing the text, we incorporated these six objectives:

- 1. To focus on the use of accounting information by internal and external stakeholders.**

We maintain a consistent focus throughout this text on the use of accounting information, rather than the preparation of accounting information. As mentioned earlier, the process of recording, adjusting, and closing events and their impact on financial statements is covered, but it is not the primary focus. This more balanced approach will benefit all students. Non-accounting majors will gain an appreciation for the use of accounting information, and accounting majors will better understand what users need while at the same time gaining a complete preparation for future courses in accounting.

- 2. To integrate financial and managerial accounting.**

Introduction to Accounting: An Integrated Approach consistently emphasizes the business event and analyzes the event from both an external (financial reporting) and an internal (managerial decision making) perspective. Financial and managerial accounting are subsystems of the same accounting information system, and while these subsystems serve different user groups, we do not feel one is more important than the other.

- 3. To order content elements in a logical manner.**

Student learning is obviously enhanced by presenting topics in a logical and coherent sequence. We follow three simple tenets: Simple topics are presented before more complex topics; Events are presented before transactions; and Accounting is presented within a business cycle context.

4. To promote active learning on the part of the student.

Various pedagogical devices are used to stimulate active learning experiences for the student. Most obvious are the Pause and Reflect questions posed at various times throughout each chapter. These questions serve as a checkpoint for the student's understanding of the material, as well as a critical thinking stimulus. Additionally, the Cases, Computer Applications, Critical Thinking, and Ethical Challenge sections at the end of all chapters give the students the opportunity to apply their accounting knowledge to a broader business setting, and virtually always require learning and exploring outside of the book.

5. To promote effective communication by the student.

Again, many of the end of chapter materials can and should be used to encourage written and oral communication on the part of the student. The *Instructor's Resource Manual*, prepared by Penne Ainsworth, contains many useful suggestions for incorporating communication into your classes.

6. To stimulate interest in the field of accounting.

Classroom experience has shown that the approach of *Introduction to Accounting: An Integrated Approach* will serve as the greatest way to motivate interest in the discipline of accounting. As students gain an understanding and appreciation of the broader role of accounting in the business world, they are more likely to express interest in accounting as a field of study.

HOW DO WE HELP YOU PREPARE AND EXCEL?

We provide the following supplements for you in order to ease your transition to *Introduction to Accounting: An Integrated Approach*.

Instructor's Resource Manual Prepared by Penne Ainsworth and subtitled "How to Teach an Integrated

Approach," this manual contains very detailed teaching notes for each chapter. It includes the learning objectives cross-referenced to the end-of-chapter materials, additional considerations and cooperative learning suggestions for the end-of-chapter materials, a discussion outline, two test/retest quizzes, two on-demand problems, and a unique continuing cooperative learning case following the organization of the text that can be copied for classroom use.

Solutions Manual Prepared by the authors and verified for accuracy by Barbara Schnathorst, C.P.A. of Colorado Springs, CO, this manual contains detailed solutions to all end of chapter material.

Solutions Transparencies Exercises and problems from the Solutions Manual are reproduced in acetate format for maximum instructor efficiency.

PowerPoint Slides Prepared by David Vicknair of Rockhurst College in Kansas City, MO, these electronic teaching acetates consist of approximately 30 slides per chapter. Accompanied by an Instructor's Manual demonstrating how to use them, these initial slides give you great freedom to build a more lively and modern classroom presentation.

Test Bank Prepared by Cathy Xanthaky Larson, this manual consists of approximately 1,100 multiple choice questions and problems.

Computerized Test Bank Available in DOS, Windows, and Macintosh versions, this option provides you more flexibility in designing your assessment tools.

Financial Accounting Video Series and Managerial Accounting Video Series These short, action oriented videos provide the impetus for lively classroom discussion.

Instructor's Manual for Video Use Prepared by Jeanie Folk of the College of DuPage in Wheaton, IL, this comprehensive guide will show specifically how to integrate the two video series described above into your introductory accounting classroom.

We provide the following supplements for your students as they study and learn from *Introduction to Accounting: An Integrated Approach*.

Study Guide Prepared by Debra Kerby and Scott Fouch of Northeast Missouri State Univ., this manual will reinforce the concepts found in the text through additional Pause and Reflect questions, short essay assignments, and additional chapter by chapter review.

PowerPoint Ready Notes Prepared by David Vicknair of Rockhurst College, this useful student tool will allow for a more efficient classroom setting by giving the students a master template for note taking. Mirroring the PowerPoint slides available to the instructor, students will have a beginning point so they can concentrate on the classroom presentation instead of furiously taking notes.

General Ledger Applications Software (GLAS) This general ledger program, available in both DOS and Windows formats, will solve selected end of chapter material from the recording chapters (7–10 and 18–21). It also will allow for any problem requiring journal entries (in the recording chapters) to be solved via its custom feature.

Annual Report Booklet Nine annual reports will appear in the Annual Report Booklet. They include Walt Disney (Chapter 2), The Boston Celtics (Chapter 7), Wal-Mart (Chapter 8), Anheuser-Busch (Chapter 10), Archer Daniels Midland (Chapter 18), Genentech (Chapter 21), Harley-Davidson (Chapter 22), Southwestern Public Service Company and Entergy Corporation (Chapter 24). Students will use the Annual Report Booklet to answer some of the questions in the end of chapter material in the text.

Practice Set This manual practice set, prepared by Cathy Xanthaky Larson will allow for additional reinforcement of the accounting cycle presentation in Chapter 7.

The Wall Street Journal Edition of the textbook For a nominal fee, students can purchase a version of the text that will entitle them to a 10 week subscription to *The Wall Street Journal*. Additionally, if at least 10 students at a school utilize this benefit, the adopting instructor will get a free subscription for one year.

Accounting Cycle Software Prepared in conjunction with the Graduate Management Admissions Council, this multimedia software product will provide an interactive, independent learning review of the entire accounting cycle.

WE HAVE LISTENED TO YOU

The market research and developmental process employed to ensure the quality of *Introduction to Accounting: An Integrated Approach* was extensive. For more than 48 months, this manuscript has gone through four complete drafts, and has been tremendously aided by the comments of the following people, who provided insightful comments/criticisms/enhancements along the way.

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The publication of the Preliminary Edition (Volume 1 in August, 1995 and Volume 2 in December, 1995) has allowed for an additional step of customer feedback. We thank the Preliminary Edition class-test sites for believing in the product enough to adopt "sight unseen." We also thank these users for their continuous feedback which has led to a better First Edition.

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Finally, the enthusiasm for the ideas expressed in *Introduction to Accounting: An Integrated Approach* has been verified by the many schools and conferences at which the authors have been invited to present. Over the last four years, some of those schools and conferences include: Mankato State University, Salem State University, University of Wyoming, Illinois State University, West Virginia University, North Carolina State University, University of South Dakota, Missouri Southern State University, Minnesota Council of Accounting Educators, Rhode Island Accounting Convention, and the Teachers of Accounting at Two-Year Colleges.

HOW WILL THE TEXT COME TO YOU?

The First Edition of *Introduction to Accounting: An Integrated Approach* will be available in two volumes as well as a full-text option. We are publishing the book in two volumes so we can more effectively integrate the class-test site feedback. Individuals who have used the second volume of the Preliminary Edition in the spring of 1996 provided us valuable feedback, and we will utilize that feedback to improve the second volume of the book, which is due in October of 1996. At the time we release that second volume, we will also publish a full 1-25 text. Users will then have the option of purchasing the book in volumes or as a full version.

Penne Ainsworth
Dan Deines
R. David Plumlee
Cathy Xanthaky Larson

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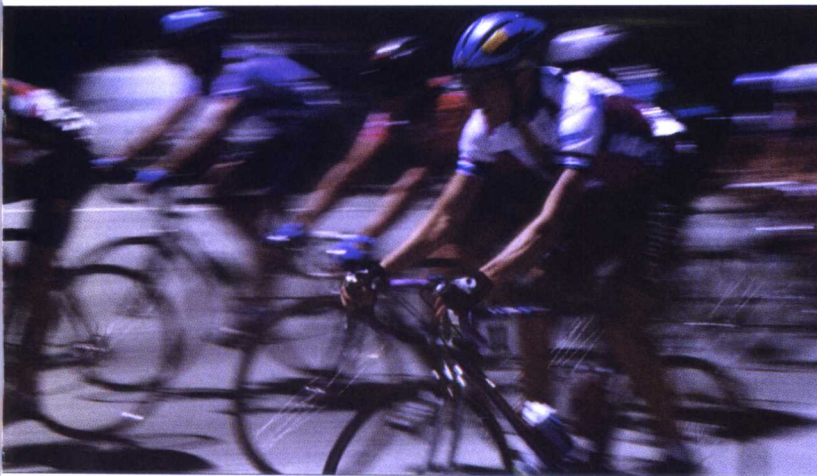
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Road Map



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