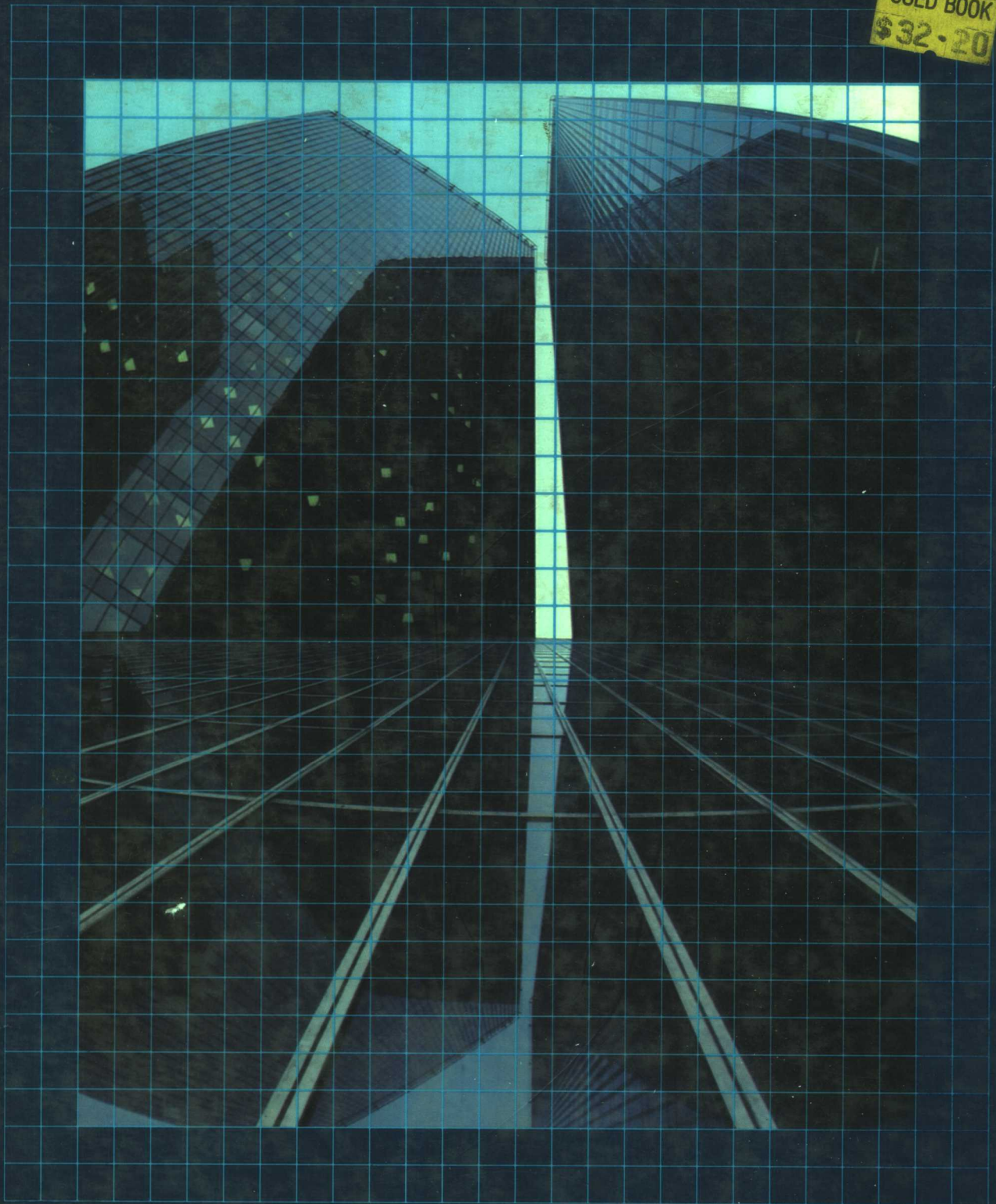


Fundamental Accounting Principles

USED BOOK
\$32.20



Statement of Cash Flows Edition
(SFAS No. 95)
See Note Inside Front Cover

Larson/Pyle

Eleventh Edition



Fundamental Accounting Principles

Statement of Cash Flows Edition

Kermit D. Larson The University of Texas at Austin

William W. Pyle

Eleventh Edition 1988

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Preface

Fundamental Accounting Principles and its companion materials are intended to be a complete learning system for use in the first year-long accounting course at the college and university level. The students in this course have varied backgrounds and educational goals. In fact, this course provides many students with their first educational exposure to such business topics as alternative forms of business organization, typical business practices, financial statements, financial analysis, and legal instruments such as notes, bonds, and stocks. Objectives of this course generally include: (1) developing a general understanding of financial reports and analyses that students will be able to use in their personal affairs regardless of their fields of specialization, (2) introducing students to managerial decision processes and the use of accounting information by the managers of a business, (3) providing a strong foundation for subsequent courses in business and finance, and (4) initiating the coursework leading to a career in accounting. **Fundamental Accounting Principles** serves all of these objectives.

A hallmark of **Fundamental Accounting Principles** is the careful integration of conceptual principles and their applications to specific business situations. Throughout the book, the definitions and explanations of important concepts and principles are presented in close proximity to illustrations and practical applications of those concepts and principles. As a result, students do not need to hold abstract concepts in limbo before they see how the concepts are applied.

In studying the book, students learn how accounting data are accumulated, how the resulting reports and analyses are prepared, and how to interpret and use accounting information intelligently and effectively. The concepts and principles that guide the preparation of accounting information are persistently emphasized and explained so that students will be able to generalize and apply their knowledge to a variety of new situations.

New Features and Important Changes in the 11th Edition

In this revision, the broad objectives were to: (1) dramatically expand the range and quantity of assignment material; (2) make coverage more exciting, up-to-date, and rigorous while retaining the book's tradition of exceptional readability; (3) incorporate several important new areas of topical coverage; and (4) supplement the package with more examination material, more complete solutions to problems, and more computer-based learning aids for student use. Extraordinary measures have been

taken to avoid errors in the text and in all supplementary materials. We believe students will find the book interesting to read and highly understandable. Instructors will find it rigorous, comprehensive, and flexible.

Many important new features have been introduced in the 11th edition. Some of the more significant include the following:

Many New Problem Assignments One of the most noticeable changes is a dramatic increase in the number of exercises and problems at the end of each chapter. The number of exercises alone has been increased by more than 76 percent. In all, there are approximately 170 new and varied problem assignments. This greatly accelerates a trend that was initiated in the previous edition as a direct result of adopters' requests. The result is a much more diverse set of assignment materials.

Complete Revision of Assignment Materials All of the exercises, problems, and provocative problems have been newly revised, and the number of questions for class discussion has been substantially increased.

Expanded Chapter Glossaries with Improved Definitions Many adopters report that they are focusing increased attention on the definition of important concepts and terms. In response to this emphasis, over 50 important new terms have been added to the chapter glossaries, and a large number of the definitions have been carefully rewritten to clarify the conceptual essence of the terms. The glossaries now contain well over 500 definitions. As in the past, the glossaries are located at the end of each chapter so that students can easily locate the definitions that are relevant to their chapter-by-chapter review before examinations. Furthermore, in the index at the end of the book, each glossary term is listed and highlighted in color with appropriate page references.

More Supporting Calculations in the Solutions Manuals The additional length of the Solutions Manuals for the 11th edition is only partially due to the expansion of assignment material. In response to adopters' requests, the solutions now include many more supporting calculations.

New, Real-World Illustrations and Problems This edition reflects a substantially increased use of real company financial information in illustrations and particularly in the provocative problems. For example, factual data has been drawn from the annual reports of such companies as Adolph Coors, Black and Decker, CBS, Apple Computer, Chrysler, Time, and Crown Cork & Seal.

Expanded Coverage of Computers in Accounting In at least six different chapters, greater attention is given to the role of computers in accounting. For example, (a) a new section discusses the effect of computers on internal control, (b) the discussion of cash controls explains the direct linkage of cash registers with computers, (c) the section on control of plant assets was rewritten to be consistent with computerized accounting systems, and (d) the effective use of computerized systems in obtaining departmental information is described.

New Computer Supplements for Students In addition to revised versions of the KC's Deals on Wheels and Lite Flight supplements, the 11th edition's computer-based supplements for students include a new corporate practice set (Kellogg Business Systems, Inc.) that may be assigned after Chapter 20, two examination review and study guides, and two software packages for solving selected problems from the text.

Examination Exercises on the Computer Test Bank The number of true/false and multiple choice questions in the computer bank of examination questions has been expanded. In addition, the bank now includes a large number of exercise-type problems.

Expanded Discussion of Internal Control In Chapter 7 the discussion of internal control principles and procedures has been expanded. Also, the importance of internal control is emphasized in several chapters.

New Illustrations of Modern Bank Statements The reconciliation of bank statements is now based on up-to-date, real-world bank statements. Also, an informal calculation or summary of petty cash payments has replaced the illustration of a Petty Cash Record.

A Clearer and More Complete Explanation of Bad Debts Chapter 8 includes a thoroughly new, more complete, and easier to understand discussion of bad debts. Both the income statement and balance sheet approaches to estimating bad debts are explained. Discussion of the balance sheet approach includes both a simplified version and an improved treatment of aging.

New Coverage of Credit Card Sales and Installment Accounts Receivable These timely topics are discussed in Chapter 8, which has been retitled "Credit Sales and Receivables."

Expanded Coverage of Perpetual Inventories The coverage of perpetual inventory systems has been rewritten and now includes journal entries comparing periodic and perpetual. LIFO under perpetual is discussed and illustrated, as is the difference between LIFO periodic and LIFO perpetual. The usefulness of the perpetual method in computerized accounting systems has also been clarified.

Easier to Understand Discussion of Lower of Cost or Market The discussion of inventory valuation under lower of cost or market has been completely rewritten. The new version has better illustrations, includes more descriptive headings, and is easier for students to understand.

New Coverage of Estimated Liabilities Chapter 12 contains a new section on the definition and classification of liabilities. In addition to distinguishing between current and long-term liabilities, it explains the difference between definite and estimated liabilities. New coverage of property taxes payable and product warranty liabilities is used to illustrate estimated liabilities.

Expanded Coverage of Contingent Liabilities A new section in Chapter 12 covers contingent liabilities and expands on the introduction to this topic in Chapter 8.

Improved Discussion of Mortgages The discussion of mortgages has been totally rewritten to more accurately describe mortgages as a form of security that may apply to both notes payable and bonds.

New Coverage of Installment Notes Payable A new section of Chapter 11 explains installment notes payable with two alternative payment patterns. This topical coverage corrects the typical failure of introductory accounting courses to explain this most popular form of long-term financing by businesses and individuals.

New Coverage of Discontinued Operations, Extraordinary Items, Accounting Changes, and Prior Period Adjustments Over half of the material in Chapter 19 is new. The first part of the chapter explains the income and retained earnings presentations of items that are unrelated to continuing operations. These items include discontinued operations, unusual, infrequent, and extraordinary items, changes in accounting principles, and prior period adjustments.

More Concise Coverage of Accounting for Price Changes The material on accounting for price changes has been compressed, simplified, and updated.

A Concise Introduction to International Accounting This edition introduces the special problems of companies that have transactions in foreign currencies or that have operations in more than one country—without excessive elaboration. This material and the coverage of price changes are conveniently located in separate sections at the end of Chapter 19 to facilitate variations in course design.

An Expanded Explanation of Earnings per Share A completely new discussion of earnings per share is presented in Chapter 20. This section illustrates calculations for companies with simple capital structures and explains the concepts of primary and fully diluted earnings per share without requiring complex calculations.

A New Discussion of Manufacturing Costs Several sections of Chapter 21 have been rewritten to clarify the differences between periodic and perpetual systems of accounting for manufacturing costs and to more clearly explain the flow of direct and indirect material costs. The discussions of inventory valuation and overhead allocation problems of manufacturing companies have been expanded and improved.

Improved Explanations of Job Order and Process Cost Systems New introductions have been written for each of these topics. Account titles have been modified to eliminate confusion about differences between the various types of cost accounting systems. This edition also includes an improved diagram of cost flows in process cost systems.

More Emphasis on Capital Budgeting Methods The Chapter 27 discussion of payback has been expanded to include instances where cash flows are not uniform from year to year. In addition, the chapter includes new discussions evaluating the strengths and weaknesses of different capital budgeting methods as a means of evaluating alternative investments.

Expanded Discussion of the Effect of Taxes on Business Decisions

Chapter 28 reflects the latest changes in tax laws. A new section discusses the changing nature of the tax laws and its effect on business planning. The expanded coverage also includes the topic of tax-free employee compensation.

Expanded Coverage of Present and Future Values A new appendix at the end of the book provides an expanded analysis of present and future values. Instructors may choose to restrict the present value coverage to the material contained in Chapter 12. Or they may also assign the appendix and expand the coverage to include future values and a more detailed analysis of present values. The appendix concludes with large tables of present and future values and 19 exercises.

Additional Changes Numerous additional changes and editorial refinements have been made to increase clarity and provide a thoroughly current work. Some examples include:

- New introductions to several chapters.
- An updated discussion of conservatism.
- A change in terminology from "premium on stock" to "contributed capital in excess of par value."
- An updated discussion of accelerated depreciation for tax purposes.
- More realistic interest rates and dollar amounts.
- Increased use of headings in selected areas.
- A new discussion of capital and revenue expenditures.
- A change in footnote citations to **Accounting Standards, Current Text**.
- An expanded number of problems in the Study Guide.
- Clearer discussions of employment taxes and of bond characteristics.

**A Word about
the Provocative
Problems**

Among the sharply expanded array of assignment material in **Fundamental Accounting Principles**, the 11th edition includes approximately 80 homework assignments that are described as *provocative problems*. This description stems from the fact that these problems are somewhat more thought-provoking than other problem assignments. Provocative problems are more like the real world, confronting students with somewhat more complexity and often requiring students to reach decisions about the illustrated situations. In this edition, many of the provocative problems are based on factual situations drawn from the financial reports of real companies. Provocative problems tend to be more challenging than other problem assignments. Although the Working Papers are plentiful enough to allow adaptation to the provocative problems, they have not been specifically designed to fit these problems. Students are therefore required to take greater responsibility for organizing their solutions.

We encourage instructors to include several provocative problems in their teaching plan as a means of enriching the diversity of assignment material and exposing students to the real-world applicability of accounting issues. Provocative problems can help instructors challenge their best students and demonstrate the contemporary relevance of the course to the entire class.

Computer-Based Supplements

A full complement of computer-based items support the teaching effectiveness of **Fundamental Accounting Principles**. Three items for student use were written by Christine Sprenger, Keith Weidkamp, and Clifford Burns. They are:

1. **Lite Flight—II**, a microcomputer practice set that may be assigned after Chapter 6.
2. **KC's Deals on Wheels—II**, a microcomputer practice set with expanded features that may be assigned after Chapter 11.
3. **Examination Review and Study Guide, Chapters 1–14 and Chapters 15–28**, tutorials for student use in private study and review.

Leland Marisueti joined the Sprenger, Weidkamp, and Burns team of authors to provide:

4. **Kellogg Business Systems, Inc.**, an extended corporate practice set that may be assigned after Chapter 20.
5. **Problem Solvers I and II**. These software packages allow students to use a microcomputer in solving selected problems from the text and introduce the use of spreadsheets.

For instructor use, the computer-based testing material includes:

6. **Computest**, a greatly enlarged bank of examination materials that now includes exercise-type problems as well as multiple-choice and true/false questions.
7. **Teletest**, a system whereby an adopter may obtain, via telephone request to the publisher, a laser-printed copy of examinations that consists of questions the adopter has selected from the computerized test bank.
8. **Compugrade**, a program for recording and weighting exam grades.

Other Supplements

The teaching package for **Fundamental Accounting Principles** also includes the following items:

- **Working Papers, Chapter 1–14 and Chapters 14–28**. These are designed so that each volume can be used for assignments of problems or alternate problems.
- **Study Guides, Chapters 1–14 and Chapters 14–28**. Each chapter presents learning objectives, an outline of the topical coverage in the chapter, and a series of self-examination questions with answers.
- **List of Check Figures** (available in quantity to adopters).
- **Hilltop Hardware Store**, a manual, single proprietorship practice set with business papers that may be assigned after Chapter 6.
- **Builders Supplies, Inc.**, a manual practice set that contains a narrative of transactions covering two accounting cycles; this set may be assigned after Chapter 8.
- **Kroy Manufacturing Company**, a manual practice set containing a narrative of transactions for a manufacturing corporation. The set may be assigned after Chapter 21.
- **Solutions Manual, Chapters 1–14 and Chapters 15–28**.
- Transparencies of the solutions to all exercises and problems.

- **Instructor's Lecture Guide**, by Elliott S. Levy, Laurie W. Pant, and Michael Haselkorn. For each chapter, this guide includes a topical analysis of available assignment material, suggested lecture objectives and areas for emphasis, a detailed lecture outline, suggested assignments, sample syllabi, and selected enrichment materials.
- A special set of teaching transparencies.
- **Achievement Tests, Series A, B, and C**. Each series contains 10 examinations plus two final examinations: five examinations plus one final examination for Chapters 1–14, and five examinations plus one final examination for Chapters 15–28. They are available, free to adopters, in packages of 30 copies each.
- **Supplementary Examination Materials**, a book of examination questions that includes machine-gradable examinations, a variety of additional questions for each chapter, and the solutions to all of the printed examination materials. This book also includes a large number of short, exercise-type questions.

Acknowledgments

In preparing the 11th edition, the constructive input from numerous adopters has been the cornerstone of the revision plan. We are indebted to many individuals who have contributed comments, criticisms, and suggestions. At the risk of omitting many who have provided stimulation and guidance for the revision, several individuals should be recognized for their insightful contributions: Anna Fowler and Mary Christ, The University of Texas at Austin; Daniel J. Galvin, Diablo Valley College; L. L. Price, Ft. Steilacoom Community College; Bill Wells, Tulsa Junior College; Kenneth Miller, San Antonio College; Blanca M. Gonzalez, Miami-Dade Community College; Lee Baker, Alvin Community College; Court Huber, Trinity University; Jim Carr, New Hampshire College; Norman Sunderman, Texas A&I University; Ed Clanten, Solano Community College; James Gray, Robert LeRosen, and Lynn Pape, Northern Virginia Community College.

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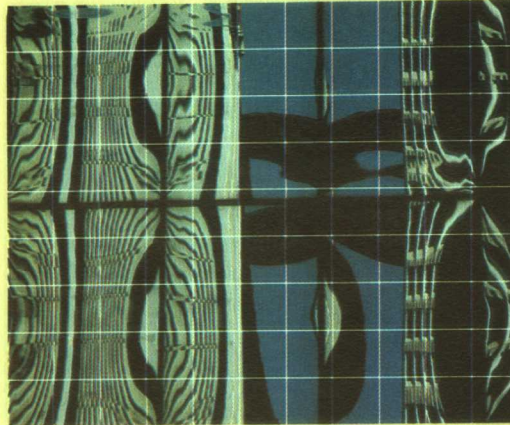
Kermit D. Larson
William W. Pyle

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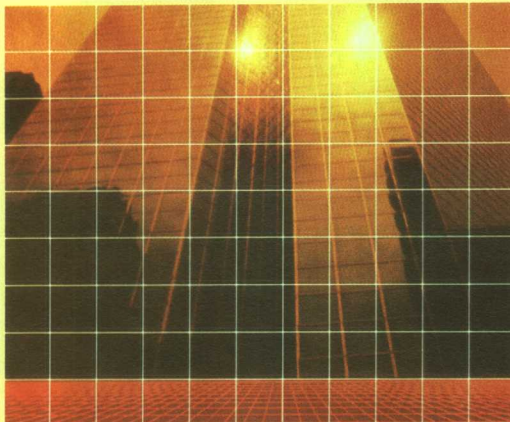
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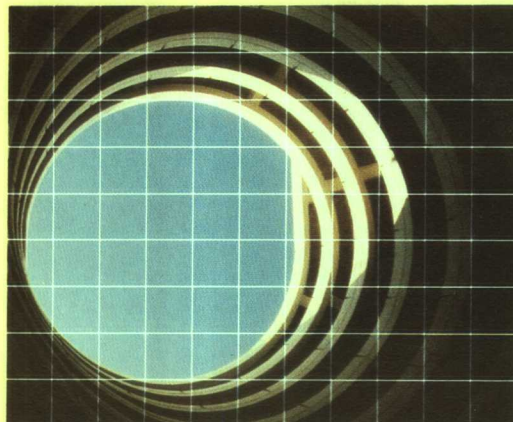
Computerized Accounting Simulation

Lite Flight—II

Business Papers Practice Set

Hilltop Hardware Store

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