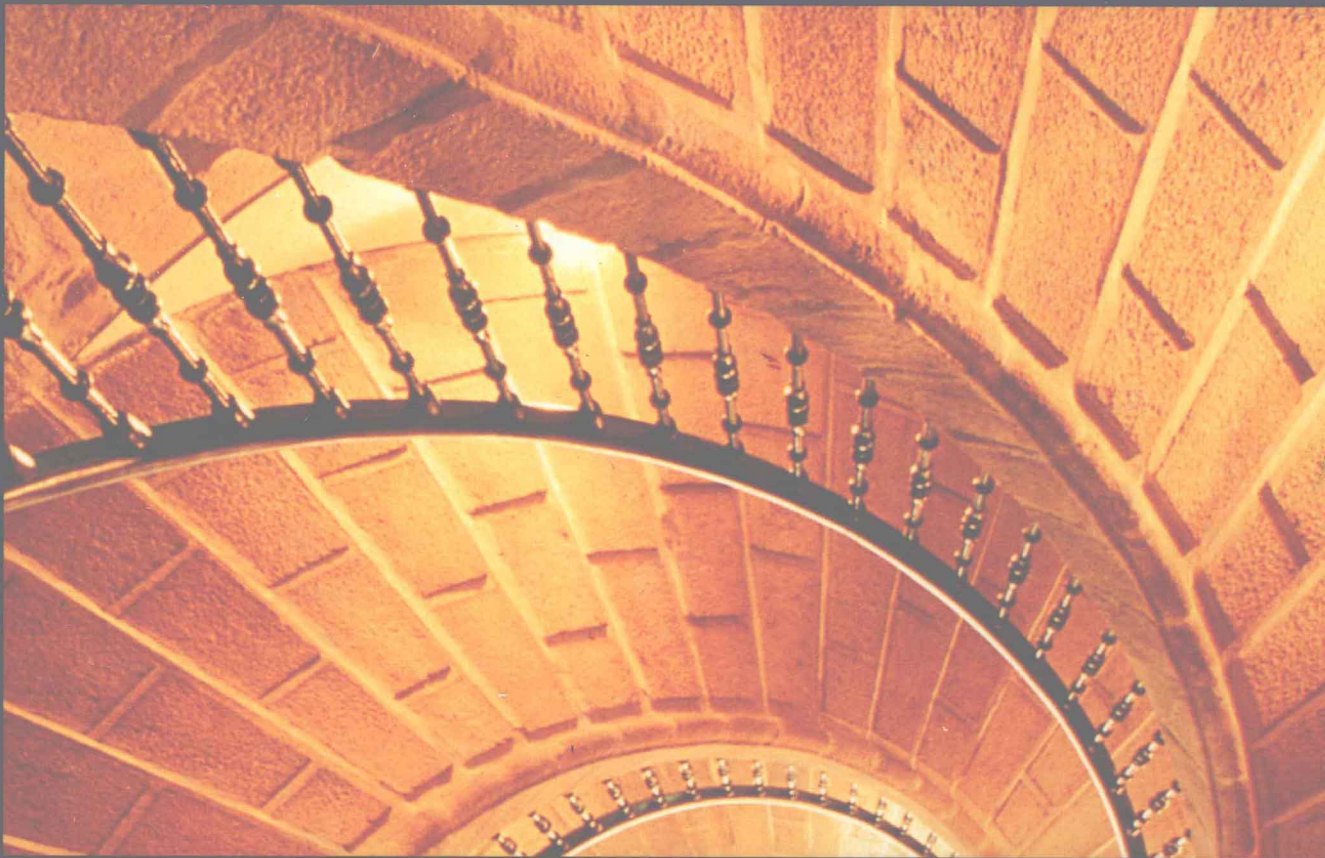


FIFTH EDITION

# Financial & Managerial Accounting



**NEEDLES**

**POWERS**

**MILLS**

**ANDERSON**

# Financial & Managerial Accounting

Fifth Edition

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# About the Authors

## **Belverd E. Needles, Jr., Ph.D., C.P.A., C.M.A.**

Belverd E. Needles, Jr. received his BBA and MBA degrees from Texas Tech University and his Ph.D. degree from the University of Illinois. Dr. Needles teaches auditing and financial accounting at DePaul University, where he is the Arthur Andersen LLP Alumni Distinguished Professor and is an internationally known expert in international auditing and accounting education. He has published in leading journals in these fields and is the author or editor of more than twenty books and monographs.

Dr. Needles is active in many academic and professional organizations. He is president of the International Association for Accounting Education and Research and past president of the Federation of Schools of Accountancy. He has served as the elected U.S. representative to the European Accounting Association and chair of the International Accounting Section of the American Accounting Association. He has served as director of Continuing Education of the American Accounting Association. He serves on the Information Technology Executive Committee of the American Institute of CPAs. For the past five years he has served as the U.S. representative on the Education Committee of the International Federation of Accountants.

Dr. Needles has received the Distinguished Alumni Award from Texas Tech University, the Illinois CPA Society Outstanding Educator Award, the Joseph A. Silvano Faculty Award of Merit from the Federation of Schools and Accountancy, the Ledger & Quill Award of Merit, and the Ledger & Quill Teaching Excellence Award. In 1992, he was named Educator of the Year by the national honorary society Beta Alpha Psi. In 1996, he received from the American Accounting Association the award of Outstanding International Accounting Educator.

## **Marian Powers, Ph.D.**

Marian Powers earned her Ph.D. in accounting from the University of Illinois at Urbana. She has served on the accounting faculty of the Kellogg Graduate School of Management at Northwestern University, the University of Illinois at Chicago, and the Lake Forest Graduate School of Management. Since 1987, she has been a professor of accounting at the Allen Center for Executive Education at Northwestern University, specializing in teaching financial reporting and analysis to executives. She is co-author of several successful in-depth cases on financial analysis, and her research has been published in *The Accounting Review*; *The International Journal of Accounting*; *Issues in Accounting Education*; *The Journal of Accountancy*; *The Journal of Business, Finance, and Accounting*; and *Financial Management*, among others. Dr. Powers has received recognition and awards for her teaching.

Dr. Powers has been active in several professional organizations, including the Illinois CPA Society, the American Accounting Association, the European Accounting Association, the International Association of Accounting Education and Research, the American Society of Women Accountants, and the Education Foundation for Women in Accounting. She is currently serving as secretary of the Education Foundation for Women in Accounting. She is past president of the Chicago chapter and past national officer of the American Society of Women Accountants.



**Sherry K. Mills, Ph.D., C.P.A.**

Sherry K. Mills is Associate Professor of Accounting at New Mexico State University, where she received the Outstanding Teaching Award in the College of Business Administration and Economics and the Burlington Northern Foundation Faculty Achievement Award at the university level in 1993. She also has been recognized for teaching innovations as a runner-up for the Boeing Award in 1993 and winner of the 1996 American Accounting Association's Innovation in Accounting Education Award. Dr. Mills has made presentations about accounting innovations at conferences held by the American Accounting Association, the Institute of Management Accountants, the International Association for Accounting Education, and the Accounting Education Change Commission. She currently is designing courses for the Manufacturing Engineering and Management curriculum, a joint project between the College of Business Administration and the College of Engineering at New Mexico State University. She received her Ph.D. from Texas Tech University.

**Henry R. Anderson, Ph.D., C.P.A., C.M.A.**

Henry R. Anderson is KPMG Peat Marwick Professor Emeritus of Accounting at the University of Central Florida. He served as Director of UCF's School of Accounting for seven years; is the former Dean of the School of Business Administration & Economics at California State University, Fullerton; and was Assistant Director of the research staff of the Cost Accounting Standards Board, Washington, D.C. Dr. Anderson was National President of Beta Alpha Psi, 1981–82, and won the California CPA Society's 1981 Faculty Excellence Award and the 1987 Florida Excellence in Teaching Award from the College of Business at the University of Central Florida. He has been very active in the Institute of Management Accountants and has served on many committees of the American Accounting Association, the American Institute of Certified Public Accountants, and the Florida Institute of CPAs. Dr. Anderson is a graduate of Augustana College and the University of Missouri at Columbia.

# Goals for FINANCIAL & MANAGERIAL ACCOUNTING, Fifth Edition

Our goal is for all students to become intelligent users of financial statements and to understand that financial information and related nonfinancial information, when interpreted and analyzed, will be useful to them in making critical business decisions throughout their careers.

Our goal is to provide the opportunity for the development in students of a wide skill set essential to success in business and management today.

Our goal, beginning with the Fourth Edition and continuing with the Fifth Edition, is to place more emphasis throughout the book on the use and analysis of accounting information by management and on the decisions that management makes regarding accounting information, including performance measurement.

Our goal is to make a significant improvement in the managerial accounting coverage.

Our goal is to reflect business practice as it is today in a context that is relevant and exciting to students.

Our goal is to provide exactly the right balance between conceptual understanding and technical application and analysis.

Our goal is to provide the most comprehensive and flexible set of assignments available involving real companies.

Our goal is to provide a complete supplemental learning system—including manual and technology applications for computer, CD-ROM, video tape, and Internet support—that directly facilitates student learning.

Our goal is to provide a complete support system for the instructor.

# Preface

FINANCIAL & MANAGERIAL ACCOUNTING, Fifth Edition, is a first course in accounting for students with no previous training in accounting or business. This textbook is intended for use at the undergraduate level where equal coverage of financial and managerial material is desired. It is designed for both business and accounting majors. It is part of a well-integrated package for students and instructors that includes several manual and computer ancillaries. It has proven successful in traditional three-quarter or two-semester sequences.

## Decision Making and the Uses of Accounting Information

FINANCIAL & MANAGERIAL ACCOUNTING recognizes that a majority of the students in the first accounting course are business and management majors who will read, analyze, and interpret financial information throughout their careers. We believe the fundamental purpose of accounting is to provide information for decision making, and while not neglecting topics important for accounting majors,

Our goal is for all students to become intelligent users of financial statements and to understand that financial information and related nonfinancial information, when interpreted and analyzed, will be useful to them in making critical business decisions throughout their careers.

Essential to FINANCIAL & MANAGERIAL ACCOUNTING is our conviction that the use of integrated learning objectives can significantly improve the teaching and learning of accounting. This system of learning by objectives enhances the role of the overall package, particularly the textbook, by achieving complete and thorough communication between instructor and student. Basic to this approach are the following objectives, which we have accomplished in this new revision:

- To write for business and management students as well as accounting majors
- To emphasize the role of accounting in decision making
- To make the content authoritative, practical, and contemporary
- To integrate the learning-by-objectives approach throughout the text, assignment material, and ancillaries
- To develop the most complete and flexible teaching-learning system available
- To adhere to a strict system of quality control

The success of the first four editions of FINANCIAL & MANAGERIAL ACCOUNTING has justified our confidence in this fundamental approach.

## New Authors

The addition of two new authors, Dr. Marian Powers and Dr. Sherry K. Mills, over the past two editions strengthens the author team's expertise in the areas of (1) teaching business executives the latest tools of financial analysis and (2) the most current thinking on management's use of accounting information. With more than fifteen years of teaching experience at the undergraduate and graduate levels in both large and small classes, Marian Powers is an accomplished instructor who brings various instructional strategies to her financial accounting classes to develop critical thinking, group interaction, communication, and other broadening skills in students. In addition, she has taught thousands of executives how to read, interpret, and analyze corporate financial statements.

Sherry Mills, now contributing to *FINANCIAL & MANAGERIAL ACCOUNTING* for a second edition, has a reputation as an outstanding teacher and innovator in management accounting education. She has won the American Accounting Association's Innovation in Accounting Education Award and has taught contemporary management accounting topics in executive training. She brings a new approach to the managerial accounting chapters.

## Essential Student Skills

The Fifth Edition of *FINANCIAL & MANAGERIAL ACCOUNTING* represents a major expansion of the decision-making approach and extends significantly the changes implemented in the Fourth Edition. The pedagogical system underlying *FINANCIAL & MANAGERIAL ACCOUNTING* is based on a model that encompasses a growing group of instructional strategies designed to develop and strengthen a broad skill set in students. This model, which includes learning objectives, the teaching-learning cycle, cognitive levels of learning, and output skills, is described in detail in the Course Manual that accompanies this text.

Our goal is to provide the opportunity for the development in students of a wide skill set essential to success in business and management today.

Applying this model, the Fifth Edition achieves (1) a stronger decision-making approach with emphasis on performance measurement; (2) improved managerial accounting coverage, including integrated, contemporary discussions of state-of-the-art topics; (3) maximized real-world coverage; (4) reduction of procedural detail; and (5) reorganized and expanded assignment material to increase flexibility and to concentrate on developing students' critical thinking, group and team-building, communication, and financial statement analysis skills.

### Stronger Decision-Making Approach with Emphasis on Performance Measurement

*FINANCIAL & MANAGERIAL ACCOUNTING* continues to emphasize the use of accounting information in decision making with a new focus on the importance this information plays in performance measurement.

Our goal, beginning with the Fourth Edition and continuing with the Fifth Edition, is to place more emphasis throughout the book on the use and analysis of accounting information by management and on the decisions that management makes regarding accounting information, including performance measurement.



To give greater prominence to decision making and performance measurement, we have made several major changes in the organization and presentation of chapter topics.

**Revised Organization of Financial Accounting Chapters** The new Part and Chapter organization in the first half of the book reflects, first, an earlier introduction of financial statements and, second, the relationship of financial accounting to the major activities of a business. For example, we have inserted after Chapter 1 a supplement entitled “How to Read an Annual Report,” which includes the entire Toys “R” Us Annual Report, to facilitate the presentation early in the course of published financial statements. We introduce accounting conventions and financial statement analysis in Part One so that ratio analysis can be integrated throughout the financial chapters, and we reorganized Part Two around the operating cycle. Part Three focuses on investing in long-term assets and long-term financing. We have moved the chapter on the statement of cash flows forward, from Chapter 27 in the previous edition to Chapter 14 in this edition to conclude the first half of the book.

**Revised Organization of Managerial Accounting Chapters** Part Five fully integrates the contemporary topics of activity-based costing, just-in-time, and total quality management. In Part Six, Chapter 19, *Activity-Based Systems: Activity-Based Management and Just-in-Time*, is a new chapter that caps the first two parts. We have moved cost-volume-profit analysis (in Chapter 20) to the beginning of Part Seven to provide a smoother introduction to the budgeting process. We have revised Chapter 21, *The Budgeting Process*, substantially to fully integrate the master budget and to closely tie the problem material to the examples in the text. To deemphasize the procedural aspect of standard costing, in Chapter 22 we now focus on managerial uses of standard costing in the new business environment. Part Eight provides both strong coverage of information and analysis for management decision making, including target costing, and a capstone chapter on total quality management and performance measurement.

**Performance Measurement** Beginning with Chapter 1, we integrate the concept of using financial information in performance measurement and evaluation at appropriate points in the text. In Chapter 5, we introduce financial analysis ratios as evaluation tools and we then integrate them in subsequent financial chapters. These ratios are usually discussed in the “management issues” section at the beginning of the chapters, and we later bring all the ratios together in a comprehensive financial analysis of Sun Microsystems, Inc., in Chapter 27. In the managerial accounting chapters, we examine how the topics under consideration are used to enhance performance measurement.

**Emphasis on Cash Flow** Stemming from our goal of emphasizing performance measures is our decision to highlight cash flows as they relate to the liquidity objective of business. To this end, we introduce the statement of cash flows in Chapter 1 and we point out the difference between income measurement and cash flows in various chapters while reinforcing it through assignments. We examine the operating cycle, with its critical effect on cash flows, in Chapter 6 and we carry through with the integration of the receivables and inventory turnover ratios in Chapters 7 and 8. We illustrate management’s need to carefully budget cash flows at the beginning of Chapter 7, *Short-Term Liquid Assets*. And, finally, we have extensively revised Chapter 14, *The Statement of Cash Flows*. This chapter begins with performance measures related to cash flows such as cash flow yield, cash flows to revenues and to assets, and free cash flows. While we now focus on the indirect method, which is used by 95 percent of all companies, we present the direct method as a supplemental objective, including sufficient assignment material for those who wish to cover this method fully. Cash budgeting is revisited again in Chapter 21, *The Budgeting Process*.

**Visual Interest**

To show visually the relevance of accounting to business, attractive four-color photographs appear in every chapter. We employ additional contemporary graphics, often featuring visualizations of concepts, throughout. Most illustrations depicting concepts and relationships have been redrawn, and we have added many new illustrations to make the concepts easier to understand and the book more visually appealing.

## **Improved Managerial Coverage Including Integrated, Contemporary Discussions of State-of-the-Art Topics**

This edition represents a major revision of the managerial accounting chapters, in terms of both structure and content.

Our goal is to make a significant improvement in the managerial accounting coverage.

There are three major themes to the content revision of the managerial chapters.

**Consistent Approach**

The managerial accounting chapters are now fully consistent with the focus in the financial accounting chapters on decision making, performance measurement, and the management issues associated with various topics. In Chapter 1, we define accounting as an information system that provides information for making the critical decisions needed to operate a business successfully. We carry this idea forward in the management accounting chapters by beginning each chapter with a learning objective linked to the management cycle. Also, we emphasize that costing systems can apply to both service businesses and manufacturing concerns. We use service companies as the focal point of all major examples and illustrations.

**Contemporary Coverage**

We have mainstreamed contemporary topics such as activity-based costing, just-in time, total quality management, and target costing from the beginning of the introductory chapter and have integrated them at appropriate points throughout the chapters. This book presents state-of-the-art techniques and shows how they are used to add value to a company's operations. Decision Points and Business Bulletins emphasize these techniques and other current trends—for example, the need to assign costs to such areas as research and development, legal activities, and human resources.

**Systematic Improvement**

Every managerial chapter has been thoroughly revised in a systematic way with the assistance of an experienced developmental editor to achieve a concise, clear, understandable presentation. The result is shorter chapters, with simplified examples and greater congruence between chapters and substantially revised and improved assignment material.

## **Maximized Real-World Coverage**

We have taken many steps to increase the real-world emphasis of the text.

Our goal is to reflect business practice as it is today in a context that is relevant and exciting to students.

Periodically, we conduct interviews of businesspeople to ascertain current business practices. For example, material in Chapter 7, *Short-Term Liquid Assets*, and Chapter 9, *Current Liabilities*, is based on interviews with officials in the banking industry. In addition, we use information from annual reports of real companies and articles about them in business journals, such as *Business Week*, *Forbes*, and *The Wall Street Journal*, to enhance students' appreciation of the usefulness and relevance of accounting information. In total, more than 100 publicly held companies are

offered in the text as illustrative examples. Our Internet web site provides direct links to most of the web pages for these companies.

**Actual Financial Statements** We have incorporated examples from the annual reports of or articles about real companies extensively in the text and assignment material. Chapter 5 presents the financial statements of Oneida, Inc., in graphical form using the Fingraph® Financial Analyst™ CD-ROM software that accompanies this book. A supplement to Chapter 1 contains a section entitled “How to Read an Annual Report,” followed by the complete annual report of Toys “R” Us. The comprehensive financial analysis in Chapter 27 features the financial statements of Sun Microsystems, Inc. These are only a few examples of the scores of other well-known companies we use as examples throughout the text.

**Decision Points** Every chapter contains at least one Decision Point. Based on excerpts from real companies’ annual reports or from articles in the business press, Decision Points present a situation requiring a decision by management or other users of accounting information and then demonstrate how the decision can be made using accounting information.

**Business Bulletins** We have added more Business Bulletins to each chapter of this edition. Business Bulletins are short items related to the chapter topics that show the relevance of accounting in four areas:

- Business Practice
- International Practice
- Technology in Practice
- Ethics in Practice

**Real Companies in Assignments** We have substantially increased the number of real companies appearing in the assignment materials.

**International Accounting** In recognition of the global economy in which all businesses operate today, we introduce international accounting examples in Chapter 1 and integrate them throughout the text. A small sampling of foreign companies mentioned in the text and assignments includes Takashimaya Co. (Japanese), Glaxo-Welcome (British), Philips Electronics, N.V. (Dutch), and Groupe Michelin (French).

**Real-World Graphic Illustrations** We offer, as a regular feature of the book, graphs or tables illustrating the relationship of actual business practices to chapter topics. Many of these illustrations are based on data from studies of 600 annual reports published in *Accounting Trends and Techniques*. Beginning with Chapter 5, most financial chapters display a graphic that shows selected ratios for selected industries based on Dun & Bradstreet data. Service industry examples include advertising and interstate trucking companies. Manufacturing industry examples include pharmaceutical and tableware companies.

**Governmental and Not-for-Profit Organizations** Acknowledging the importance of governmental and not-for-profit organizations in our society, we include discussions and examples of government and not-for-profit organizations at appropriate points.

### **Reduction of Procedural Detail**

This edition furthers our efforts to reduce the procedural detail in the chapters and to decrease the amount of “pencil pushing” on the part of students completing the assignments.

Our goal is to provide exactly the right balance between conceptual understanding and technical application and analysis.

Because our focus is on the application of concepts, we have substantially revised many chapters to reduce procedural detail. We have accomplished this goal by deleting unnecessary topics or by placing procedures that are not essential to conceptual understanding in supplemental objectives at the end of chapters. In the end-of-chapter assignments, we have scrutinized all exercises and problems with a view to reducing the number of journal entries and the amount of posting required, and we now employ T accounts more frequently as a form of analysis. Consistent with the emphasis on decision making and performance measurement, we have eliminated all journal entries from the managerial accounting chapters. The most significantly revised chapters in this regard are:

- Chapter 1** Uses of Accounting Information and the Financial Statements
- Chapter 5** Financial Reporting and Analysis
- Chapter 6** Merchandising Operations and Internal Control
- Chapter 10** Long-Term Assets
- Chapter 11** Long-Term Liabilities
- Chapter 12** Contributed Capital
- Chapter 13** The Corporate Income Statement and the Statement of Stockholders' Equity
- Chapter 14** The Statement of Cash Flows
- Chapter 16** Operating Costs and Cost Allocation, Including Activity-Based Costing
- Chapter 17** Costing Systems: Job Order Costing
- Chapter 18** Costing Systems: Process Costing
- Chapter 22** Cost Control Using Standard Costing and Variance Analysis
- Chapter 25** Pricing Decisions and Target Costing

## **Reorganized and Expanded Assignment Material**

In answer to the demand for a more sophisticated skill set in students, coupled with greater pedagogical choice for faculty members, we have reorganized and expanded the end-of-chapter assignments and accompanying materials.

Our goal is to provide the most comprehensive and flexible set of assignments available involving real companies.

In recognition of the fact that our students need to be better prepared to communicate clearly, both in written and oral formats, we provide ample assignments to enhance student writing and interpersonal skills, including the writing of good business memorandums and working effectively in groups and teams.

### **NEW!**

#### **Video Cases**

Five new 5-minute video vignettes, each accompanied by an in-text case, provide more real-world opportunities to reinforce key concepts and techniques. The cases work equally well as individual or group assignments, and all five include a written critical thinking component. Each video case serves as an introduction to the chapter in which it is found:

- *Intel Corporation* (Chapter 1) examines the business goals of liquidity and profitability and the business activities of financing, investing, and operating.
- *Office Depot, Inc.* (Chapter 6) discusses the merchandising company, the merchandising income statement, and the concept of the operating cycle.

- *Lotus Development Corporation* (Chapter 12) tells the history of Lotus from its beginning as a small start-up company through its growth to one of America's most successful companies and finally to its sale to IBM. The case emphasizes Lotus's equity financing needs along the way.
- *UPS* (Chapter 15) introduces management accounting, presents it in the context of the management cycle, and examines the concept of performance measures.
- *Enterprise Rent-A-Car* (Chapter 21) presents the budgeting process in the management cycle and describes the master budget process for a service company.

**NEW!****The Annual Report Project**

Because the use of real companies' annual reports is the most rapidly growing type of term project in the introductory accounting course, we provide with the Supplement to Chapter 1 a suggested annual report project that we have used in our own classes for several years. To allow for projects of varied comprehensiveness, we have developed four assignment options, including the use of the Fingraph® Financial Analyst™ CD-ROM software.

**Building Your Knowledge Foundation**

This section consists of a variety of questions, exercises, and problems designed to develop basic knowledge, comprehension, and application of the concepts and techniques in the chapter.

*Questions (Q)* Fifteen to twenty-four review questions that cover the essential topics of the chapter.

*Short Exercises (SE)* Approximately ten very brief exercises suitable for classroom use.

*Problems* At least five extensive applications of chapter topics, often covering more than one learning objective, and often containing writing components. All problems may be worked on our Excel Templates software, and problems that may be solved on our General Ledger program are indicated by an icon.






*Alternate Problems* An alternative set of the most popular problems, which we have selected based on feedback from our study of users' syllabi.

**Chapter Assignments: Critical Thinking, Communication, and Interpersonal Skills**

This section consists of ten or more Skills Development (SD) cases and Financial and Managerial Reporting and Analysis (FRA and MRA) cases, usually based on real companies. All of these cases require critical thinking and communication skills in the form of writing. At least one assignment in each chapter requires students to practice good business communication skills by writing a memorandum reporting results and explaining recommendations. In addition, all cases are suitable for development of interpersonal skills through group activities: for selected cases that we have designated as especially appropriate for group activities, we provide specific instructions for applying a suggested group methodology. We also identify Internet and CD-ROM assignments. To provide guidance in the best use of these assignments, we display the following icons in the margins:

- International 
- Ethics 
- Communication 
- Video 
- CD-ROM 
- Internet 
- Critical Thinking 



- Group Activity 
- Memo 
- Spreadsheet 
- General Ledger 
- Managerial Technology 

Each Skills Development assignment has a specific purpose:

*Conceptual Analysis* Designed so a written solution is appropriate, but which may be used in other communication modes, these short cases address conceptual accounting issues and are based on real companies and situations.

*Ethical Dilemma* In recognition of the need for accounting and business students to be exposed in all their courses to ethical considerations, every chapter has a short case, often based on a real company, in which students must address an ethical dilemma directly related to the chapter content.

*Research Activity* These exercises enhance student learning and participation in the classroom by acquainting students with business periodicals, the use of annual reports and business references, and resources in the library and on the Internet. Some are designed to improve students' interviewing and observation skills through field activities at actual businesses. An icon in the margin indicates which activities can be researched on the Internet.

*Decision-Making Practice* In the role of decision maker, students are asked to extract relevant data from a case, make computations as necessary, and arrive at a decision. The decision maker may be a manager, an investor, an analyst, or a creditor.

Financial and Managerial Reporting and Analysis cases sharpen students' ability to comprehend and analyze financial and nonfinancial data:

*Interpreting Financial and Management Reports* These short cases abstracted from business articles and annual reports of well-known corporations and organizations such as Kmart, Sears, IBM, Chrysler, and UAL (United Airlines), as well as specially designed internal management scenarios, require students to extract relevant data, make computations, and interpret the results.

*Formulating Management Reports* Students strengthen analytical, critical thinking, and written communication skills with these assignments. They teach students how to examine, synthesize, and organize information with the object of preparing reports such as a memo to a company president identifying sources of waste, outlining performance measures to account for waste, and estimating the current costs associated with the waste.

*International Company* These exercises involve a company from another country that has had an accounting experience compatible with chapter content.

*Toys "R" Us* The reading and analysis of the actual Toys "R" Us annual report, contained in the Supplement to Chapter 1, forms the basis of these cases, which appear in the financial accounting chapters.

**NEW!** *Fingraph® Financial Analyst™* These cases in the financial accounting chapters are worked in conjunction with the Fingraph® Financial Analyst™ annual report database software. The annual reports of more than twenty well-known companies are included in the database, which students utilize to analyze financial statements.

**NEW!** *Excel Spreadsheet Analysis* New to the Fifth Edition, these assignments in the managerial accounting chapters require the use of a spreadsheet to conduct an analysis and include a written component for interpretation and decision making. *Excel Spreadsheet Analysis: Cases for Management Reporting and Analysis*, a software program containing all the cases, is available for student use.

**Financial Analysis Cases** Also accompanying the text are a series of comprehensive financial analysis cases that may be integrated throughout the course after Chapter 5 or may be used as capstone cases for the entire course. The first, *General Mills, Inc., Annual Report: A Decision Case in Financial Analysis*, uses the actual financial statements of General Mills Corporation. The other cases, *Heartland Airways, Inc.*, and *Richland Home Centers, Inc.*, present complete annual reports for an airline company and a home improvement retailing chain and guide students through a complete financial analysis. These cases may be assigned individually and also constitute excellent group assignments.

## Readable, Accessible Text

Growing numbers of students who take the introductory accounting course are from foreign countries, and English is a second language for them. To meet their needs fully, we as instructors must be aware of how the complexities and nuances of English, particularly business English, might hinder these students' understanding.

Each chapter of FINANCIAL & MANAGERIAL ACCOUNTING has been reviewed by business instructors who teach English As a Second Language (ESL) courses and English for Special Purposes courses, as well as by students taking these classes. With their assistance and advice, we have taken the following measures to ensure that the text is accessible.

- **Word Choice:** We replaced words and phrases that were unfamiliar to ESL students with ones they more readily recognize and understand. For instance, we substituted "raise" for "bolster," "require" for "call for," and "available" for "on hand."
- **Length:** Because short, direct sentences are more easily comprehended than sentences containing multiple clauses, we paid strict attention to the length and grammatical complexity of our sentences.
- **Examples:** Examples reinforce concepts discussed and help to make the abstract concrete. We have added examples that are simple and straightforward for further clarity.

## Supplementary Support Materials

### Supplementary Learning Aids

Our goal is to provide a complete supplemental learning system—including manual and technology applications for computer, CD-ROM, videotape, and Internet support—that directly facilitates student learning.

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