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Anthony and Gibbins

FINANCIAL ACCOUNTING

An Integrated Approach

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P R E F A C E



We are pleased to introduce you to the American edition of a successful Canadian textbook. In this text, we present financial accounting as an important part of an information system for investor, creditor, and management decision making. For students who want to be managers or other users of accounting information, we emphasize accounting information from a user's perspective. For students who want to become professional accountants, we provide sufficient coverage of preparation concepts and techniques for a clear understanding of the information contained in financial statements.

We offer a text that will help achieve the Accounting Education Change Commission's recommendations for introductory accounting. We emphasize the conceptual issues underlying financial accounting, not just the mechanics. Both the text and the end-of-chapter materials are designed to develop students' analytical and critical thinking skills. Approximately one-half of the end-of-chapter materials are discussion/essay types of questions, rather than mechanical exercises. "Real world" examples and financial statements are used throughout the text and the end-of-chapter materials to provide students with a greater appreciation of the complexities of the contemporary business environment.

WHAT ARE THE FEATURES OF THIS TEXT?

Our purpose in this text is to encourage students to develop their own understanding of financial accounting. We want to help students figure out which numbers to use and what story the numbers should tell.

- Managers' perspectives on a chapter's issues are discussed. For example, why do managers care about financial position (Chapter 2)? Why is recordkeeping important for managers (Chapter 6)? What are the

- implications of accrual accounting for managers (Chapter 7)? Do financial statements really measure performance (Chapter 10)?
- Accounting researchers' contributions to the understanding of financial accounting are discussed. For example, which approach to accounting is best—the entity or the proprietorship approach (Chapter 2)? Does accrual accounting really matter (Chapter 7)?
 - Because of the text's Canadian origin, it retains an international flavor, and several international examples are used. For example, the Canadian Broadcasting Corporation's balance sheet is used as the basis for a case in Chapter 2.
 - Short "How's Your Understanding?" questions are placed throughout each chapter, so that students can check their understanding of concepts as they progress through chapter materials.
 - A Continuing Demonstration Case appears in installments at the end of most chapters. The case deals with a small company with which students should be able to identify. Students gain an understanding of how the company's financial accounting evolves to meet user needs. The case develops along with the conceptual development of the text and provides a progressive illustration of those concepts. The case also serves to review and reinforce preparation techniques.
 - Solution outlines to selected questions are provided at the end of the text. The outlines attempt to instill a thoughtful analysis rather than suggesting that a single answer is all that is available.

WHAT IS THE CONTENT OF EACH CHAPTER?

Each chapter includes four components of an integrated understanding of financial accounting: use concepts, preparation concepts, preparation techniques, and use techniques. Understanding financial accounting information is the central objective, but this understanding rests on the foundation provided by these four components.

- Chapter 1: Introduces both financial accounting and the users and preparers of the information.
- Chapters 2-4: Introduce the four main financial statements (balance sheet, income statement, statement of retained earnings, and statement of cash flows). Include extensive discussion of the use of the statements as well as examples of preparation and statement interrelationships.
- Chapter 5: Examines generally accepted accounting principles that underlie the financial statements and pulls together several conceptual and practical financial accounting issues. Presents the role of the independent auditor, along with an introduction to the role of ethics in financial accounting and business decision making.
- Chapters 6-8: Focus on preparation techniques, including basic recordkeeping systems and internal controls. Emphasize the accrual accounting concept throughout and tie accrual accounting to the more familiar cash basis.
- Chapters 9-10: Focus on users and the analysis and interpretation of financial accounting information. Present important concepts

on capital markets, contracting theory, auditors, and the time value of money.

- Chapter 9: Discusses the social setting of financial accounting. Provides a formal framework to conduct “what-if” analyses. Introduces the impact of income taxation on financial accounting and decision making.
- Chapter 10: Includes a detailed analysis of the financial statements of General Mills, Inc. to illustrate the analytical concepts.
- Chapters 11-12: Tie together the materials previously learned. Emphasize making accounting policy choices and selecting among alternative accounting methods.
 - Chapter 11: Emphasizes inventories and intercorporate investments, including an introduction to the preparation of consolidated financial statements.
 - Chapter 12: Discusses depreciation and other topics, including both preparation and analysis issues.

Joseph H. Anthony
Michael Gibbins

A C K N O W L E D G M E N T S



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Professor Gibbins' research and teaching interests lie in how people make decisions and judgments, and in the way accounting information is used in making important decisions in business and other economic spheres. A particular interest is in the professional judgment of public accountants, managers, and other professionals who cope with the pressures and risks of modern business life. He has published widely on judgment, accounting, financial disclosure, and educational subjects, is currently editor of the Canadian accounting research journal, *Contemporary Accounting Research*, has been on numerous editorial boards of academic journals, and is active in the Canadian Academic Accounting Association, the American Accounting Association, and other professional bodies. The honor of becoming a Fellow of both the Alberta and British Columbia Institute of Chartered Accountants was awarded to him in 1988.

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