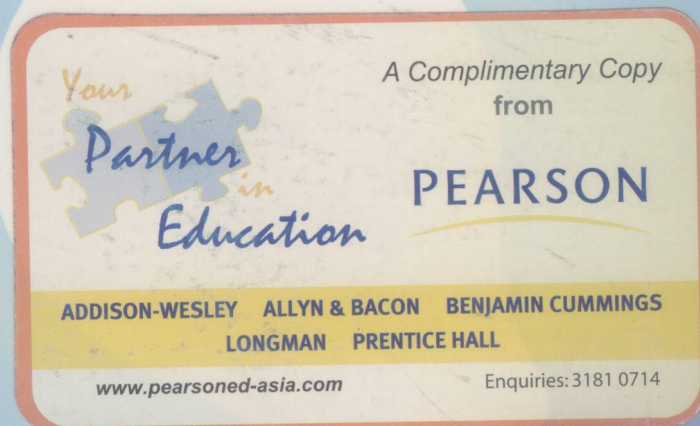




Pearson International Edition

FINANCIAL & MANAGERIAL ACCOUNTING

Second Edition



Horngren | Harrison | Oliver

F-234
H813
E-2

Financial and Managerial Accounting

SECOND EDITION

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Pearson Education International

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How to Use MyAccountingLab

If you have not yet had a chance to explore the benefits of the MyAccountingLab (MAL) Web site, I would encourage you to log in now and see what a valuable tool it can be.

MyAccountingLab is a terrific tool for helping you grasp the accounting concepts that you are learning. So what exactly is MyAccountingLab? MyAccountingLab is a homework management tool that allows you to complete homework online.

MyAccountingLab
Practice: CHAPTER 1. Accounting and the Business Environment

Question P1-29B

Bill Goldner owns and operates a photography studio for pets called Lasting Memories, Inc. The amounts that follow summarize the financial position of his business on January 31, 2009. During February 2009, the following events occurred:
(Click the icon to view the amounts and events.)

Requirements

- Using the accounting equation format, account for each transaction, calculating new balances after each transaction, for the corporation of Lasting Memories, Inc.
- Prepare the income statement of Lasting Memories, Inc. for the month ended February 28, 2009.
- Prepare the statement of retained earnings for the month ended February 28, 2009.
- Prepare the balance sheet at February 28, 2009.

Requirement 1. First enter beginning balances then enter each event (transaction) in the appropriate columns. Recalculate new balances for all the accounts after entering each transaction. (Complete only the necessary answer boxes for your transaction lines. Carry down all balances, including zero balance accounts. Enter decreases with a minus sign or parentheses.)

a. Goldner inherited \$15,000 and used it to buy stock in the business.

Assets				=	Liabilities + Stockholders' Equity			Type of Stockholders' Equity Transaction
Cash	Receivable	Supplies	Land	=	Payable	Common Stock	Retained Earnings	
Bal. 1740	+ 3210	+ 0	+ 24,230	=	5450	+ 7,000	+ 16370	
				=		+ 15000		Sale of stock
Bal.				=				

Choose from any list or enter any number in the input fields, then click Check Answer.

Check Answer Clear Answer Question Progress Close & Return

What is so great about completing the homework online, you might wonder?

Well, how about the ability to ask for and receive help *immediately* while you are working the problems? MAL allows you to click on a **Help Me Solve This** button at anytime while you are working the problem, and a pop-up window appears with tips to help you solve the specific part of the problem that you are working on. It is similar to having someone standing over your shoulder to help you—right in the middle of the problem—so that you can get through it and understand how to solve it.

MAL also has a button that you can click on that will open an *online version of the textbook*—it even takes you right to the section of the textbook that explains the topic related to the problem that you are working on.

Another great feature of MAL is the **Ask My Instructor...** button. If your instructor allows you to e-mail questions, you are able to send an e-mail to your instructor in which you can explain what you are having difficulties with. When your instructor receives the e-mail, there will be a link that will take the instructor right to the problem you were working on in MAL.

You will also find two different types of problems in MAL, *bookmatch* and *algorithmic* problems. The bookmatch problems are the exact problems right out of your textbook (your instructor must make these available in MAL). The algorithmic problems are identical to the ones in the textbook, except they have several variables that change in the problem every time it is selected. The algorithmic problems allow you to have an unlimited number of problems you can work in order to master the material. This means that you can see how to do a problem similar to the one in the book.

The other benefit of working the problems in MAL is that each problem is broken down into different parts. MAL gives you three attempts at working each part and then it fills in the correct answer. This allows you to learn from your mistakes as you go.

Support is always available for you online at:

<http://www.myaccountinglab.com/support/student.html>.

Homework and Tests: Quizzes & Tests

Legend

Show All Homework Quizzes & Tests Chapters

All Quizzes and Tests

Due	Assignment	Time Limit	Attempts	Gradebook Score
	Chapter 1A Pre-Test		0 of ∞	

Sample Tests

Sample tests can be taken for practice or to build your study plan. Sample tests do not affect your grade.

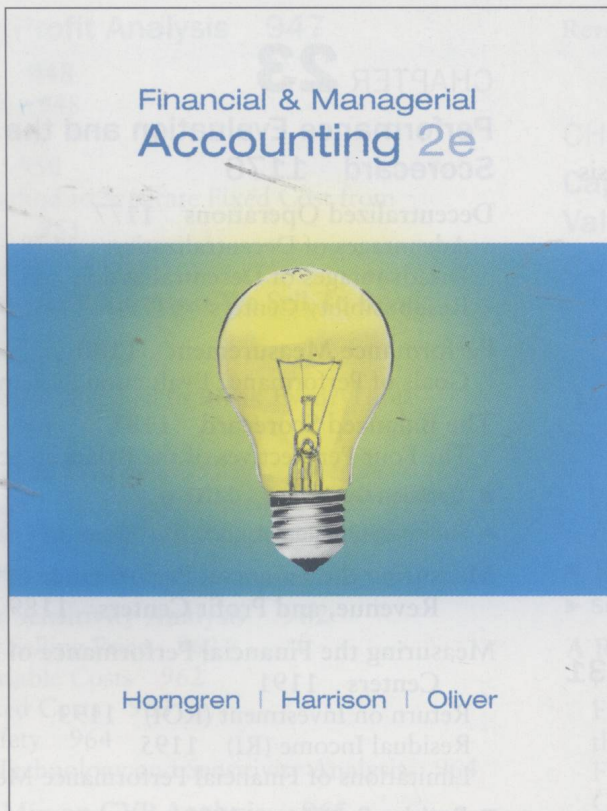
Sample Tests	Attempts	Gradebook Score
Chapter 1A Pre-Test	0 of ∞	
Chapter 1B Post-Test	0 of ∞	
Chapter 2A Pre-Test	0 of ∞	
Chapter 2B Post-Test	0 of ∞	
Chapter 3A Pre-Test	0 of ∞	
Chapter 3B Post-Test	0 of ∞	
Chapter 4A Pre-Test	0 of ∞	
Chapter 4B Post-Test	0 of ∞	
Chapter 5A Pre-Test	0 of ∞	
Chapter 5B Post-Test	0 of ∞	
Chapter 6A Pre-Test	0 of ∞	
Chapter 6B Post-Test	0 of ∞	
Chapter 7A Pre-Test	0 of ∞	

How to Maximize Your Time in MyAccountingLab

1. Read the textbook material.
2. Review the Demo Docs in your textbook and your study guide.
3. Work the algorithmic problems in MAL utilizing the *Help Me Solve This* hints as needed. If your instructor has not assigned any of the homework problems in MAL, you can access the algorithmic problems by clicking on the *Study Plan* button. Although it would be helpful to work all of the problems, you should focus on the problems that your instructor has assigned for each chapter, if any.
4. Rework any of the problems that you had difficulty understanding as many times as you need in order to achieve understanding. If you open the Study Plan, you can see which problems you had incorrect answers on.
5. Work the homework problems that were assigned by your instructor if any (either in MAL or from the textbook using paper and pencil).
6. In order to prepare for a quiz or exam using MAL, rework the algorithmic equivalent of any of the assigned homework. Additionally, if your instructor has made them available, you can access the *Sample Tests* in the *Take a Test* section. There is a sample pre-test and post-test available for every chapter in the text so you can focus on the chapters covered in your quiz or exam.

Overall, using MyAccountingLab can be a great benefit to you in this course. It provides immediate feedback while doing homework and is a great preparation for exams. We encourage you to try it and see how it can help you have a more successful course experience.

The Financial and Managerial Accounting, 2e, Student Learning System:
For professors whose greatest joy is hearing students say, "I get it!"



More
"I get it!"
Moments

www.MyAccountingLab.com
The power of practice
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**Help your students achieve "I get it!" moments
when you're with them AND when you're NOT.**

When you're there demonstrating how to solve a problem in class, students "get it." When you're not there, they get stuck—it's only natural.

That's where we come in, at these "they have the book, but they don't have you" moments.

The ***Financial and Managerial Accounting 2e Student Learning System*** will help students at those critical and challenging times by replicating the classroom experience. All components and features of the student textbook, study resources, and MyAccountingLab are designed to work together to provide students with more "I Get It!" moments, both inside AND outside of the classroom.

Students Will “Get it” Anytime, Anywhere With Horngren/Harrison/Oliver’s Student Learning System!

Overview of Student Learning System

Students understand (or “get it”) right after you do a problem in class. However, as soon as they leave class, their ability to do the problems and complete their homework diminishes with each passing hour. Often, this results in students struggling to complete their homework on their own. Even worse, the frustration can lead to students quitting on the material altogether and falling behind in the course. As a result, an entire class can fall behind as instructors attempt to keep everyone on the same page.

With the **Financial and Managerial Student Learning System**, all features of the **student textbook**, **study resources** and **online homework system** are designed to work together to provide students with more “I Get It!” moments, especially outside the classroom where they struggle the most. The **consistency**, **repetition** and **strong details** throughout the entire **student learning system** allow students to achieve success inside and outside the classroom while keeping both instructors and students on track!

■ Replication of the Classroom Experience with Demo Doc Examples:

The Demo Doc Examples consist of entire problems, worked through step-by-step and from start to finish, narrated with the kind of comments that INSTRUCTORS would say in class. These Demo Doc Examples exist in the first four chapters of this text to support the critical accounting cycle chapters, as well as in the Study Guide as Flash animation and in print. The Flash versions are also on MyAccountingLab’s online homework and are a part of the instructor package for both traditional and online courses.

■ Consistency, Repetition, and Details Throughout The Learning Process:

Consistency is stressed across all mediums: text, student, and instructor supplements. Students will experience consistency, repetition, and strong details throughout the chapter, the end of chapter examples, and in MyAccountingLab in both look and feel, and in the language. This minimizes confusion, ensures clarity, and allows students to focus on what’s important—the accounting topics. As a result, students will develop a solid understanding throughout each step of the learning process.

■ Experiencing the Power of Practice with MyAccountingLab:

The online homework system combines “I get it!” moments with the power of practice. Students can work on book-match and algorithmic problems assigned by the instructor or use the “Study Plan” for self-assessment and customized study outlines.

Components of the Student Learning System

Duplicating the Classroom Experience

Demo Docs Introductory accounting students consistently tell us “When doing homework, I get stuck trying to solve problems the way they were demonstrated in class.” Likewise, instructors consistently tell us, “I have so much to cover in so little time; I can’t afford to go back and review homework in class.” These challenges inspired us to develop Demo Docs. Demo Docs are comprehensive, worked-through problems that are available for the first four chapters of our introductory accounting text. Demo Docs will aid students when they are trying to solve exercises and problems on their own with the goal being to help students duplicate the classroom experience outside of class. Entire problems, mirroring end-of-chapter material, are presented and then solved along with annotated explanations written in a conversational style—essentially imitating what an instructor might say if standing over a student’s shoulder. All Demo Docs are in the textbook in print, in the study guide in print version as well as on CD in Flash, and online in MyAccountingLab so that students can easily refer to them as needed.

Chapter 2: Demo Doc
■ Debit/Credit Transaction Analysis

To make sure you understand this material, work through the following demonstration “demo doc” with detailed comments to help you see the concepts within the framework of a worked-through problem.

Learning Objectives 1, 2, 3, 4

On September 1, 2011, Michael Moe incorporated Moe’s Mowing, Inc., a company that provides mowing and landscaping services. During the month of September, the business incurred the following transactions:

- To begin operations, Michael deposited \$10,000 cash in the business’s bank account. The business received the cash and issued common stock to Michael.
- The business purchased equipment for \$3,000 on account.
- The business purchased office supplies for \$800 cash.
- The business provided \$2,000 of services to a customer on account.
- The business paid \$500 cash toward the equipment previously purchased on account in transaction b.
- The business received \$2,000 in cash for services provided to a new customer.
- The business paid \$200 cash to repair equipment.
- The business paid \$100 cash to salary expense.
- The business received \$2,100 cash from customers on account.
- The business paid cash dividends of \$1,000.

Requirements

- Create T-accounts for the following accounts: Cash, Accounts receivable, Supplies, Equipment, Accounts payable, Common stock, Dividends, Service revenue, Salary expense, and Repair expense.
- Analyze the transactions and show how they are recorded in T-accounts.
- Total all of the T-accounts to determine their balances at the end of the month.

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Consistency, Repetition, and Details in the Learning Process

The entire package matters. Consistency in terminology and problem set-ups from one medium to another—test bank to study guide to MyAccountingLab—is critical to success in the classroom. So when students ask, “Where do the numbers come from?” they can go to our text or go online and see what to do. If the material is worded one way in the text, you can count on it being worded the same way in the supplements for instructors and students.

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all accounts in a company’s accounting system. Exhibit 2-11 is the trial balance of Smart Touch Learning as of April 30, 2011, the end of the first month of operations.

A warning! Do not confuse the trial balance with the balance sheet. A trial balance is an internal document used only by company managers. The public never sees a trial balance. Outsiders get only the company’s financial statements.

EXHIBIT 2-11 Trial Balance

SMART TOUCH LEARNING, INC.		Trial Balance		April 30, 2011	
Account Title	Debit	Credit	Account Title	Debit	Credit
Cash	\$11,000		Accounts receivable		1,000
Supplies	800		Equipment	3,000	
Land	2,000		Accounts payable		3,000
Common stock		10,000			
Service revenue		5,000			
Salaries expense	100		Repair expense	200	
Dividends	1,000				
Total	\$18,800	\$18,800			

Correcting Trial Balance Errors

Throughout the accounting process, trial balances should always equal total debits. If they do not, there is an error. Computerized accounting systems eliminate many errors because more software will not let you make a journal entry that does not balance. But employees cannot eliminate all errors because humans can type the wrong data. Errors can be detected by comparing the difference between total debits and total credits on the trial balance. They perform one or more of the following actions:

- Search the trial balance for a missing account. For example, suppose the accountant omitted Dividends from the trial balance in Exhibit 2-11. Total debits would then be \$18,800 (\$18,800 - \$1,000). Total credits would be \$17,800. The difference between total debits and total credits is the \$1,000. The net of balance amount is \$1,000. Dividing the difference by 1 identifies the \$1,000 amount of the transaction. They search the trial balance for a \$1,000 transaction and trace it to the account omitted.
- Divide the difference between total debits and total credits by 2. If a debit entered in a journal, or vice versa, double the amount of error. Suppose the accountant entered a \$100 credit as a debit. Total debits remain the \$18,800, and total credits come to \$17,900. The net of balance amount is \$1,000. Dividing the difference by 2 identifies the \$500 amount of the transaction. They search the trial balance for a \$500 transaction and trace it to the account omitted.
- Divide the total balance amount by 9. If the result is evenly divisible by 9, the error may be a debit incorrectly written \$1,000 as \$100 or writing \$100 as \$1,000 or a transposition (example: writing \$1,200 as \$2,100). Suppose, for example, that the accountant entered the \$2,000 Dividends as \$20,000 on the trial balance. This is a double-zero error. Total debits would differ from total credits by \$18,000 (\$20,000 - \$2,000 = \$18,000). Dividing \$18,000 by 9 yields \$2,000, the correct amount of dividends. They trace \$2,000 through the ledger until they reach the Dividends account. You have then found the error.

Requirement 4

Prepare the trial balance of Knight Airlines, Inc., as of April 30, 2011.

All of the debits and credits are now listed for the trial balance. A trial balance is set up at the end of the business with trial balances at the end of an accounting period. Review the illustration of a trial balance in Exhibit 2-11 (p. 82) of the main text. Again, the accounts are listed in the order of assets, liabilities, equity, revenues, and expenses for consistency.

KNIGHT AIRLINES, INC.
Trial Balance
April 30, 2011

Account Title	Debit	Credit
Cash	\$1,000	
Accounts receivable	7,000	
Supplies	1,000	
Equipment	25,000	
Land	42,000	
Accounts payable		10,000
Notes payable		25,000
Common stock		10,000
Service revenue		10,000
Salaries expense	1,000	
Repair expense	2,000	
Dividends	1,000	
Total	\$89,000	\$89,000

MyAccountingLab

Preparation of Trial Balance

Click the icon to view the trial balance.

Compute trial balance for the business.

1. Trial assets
2. Trial liabilities
3. Trial owner's equity and trial net income

1. Trial assets

Account Title	Debit	Credit
Cash	\$1,000	
Accounts receivable	7,000	
Equipment	25,000	
Land	42,000	
Accounts payable		10,000
Notes payable		25,000
Common stock		10,000
Service revenue		10,000
Salaries expense	1,000	
Repair expense	2,000	
Dividends	1,000	
Total	\$89,000	\$89,000

2. Trial liabilities

Account Title	Debit	Credit
Accounts payable		10,000
Notes payable		25,000
Common stock		10,000
Service revenue		10,000
Salaries expense	1,000	
Repair expense	2,000	
Dividends	1,000	
Total	\$89,000	\$89,000

3. Trial owner's equity and trial net income

Account Title	Debit	Credit
Accounts payable		10,000
Notes payable		25,000
Common stock		10,000
Service revenue		10,000
Salaries expense	1,000	
Repair expense	2,000	
Dividends	1,000	
Total	\$89,000	\$89,000

NEW Continuing Exercise The unique "Continuing Exercise" takes a single company and adds transactions or questions in each chapter to the existing fact pattern. As students move throughout the text, they complete additional steps in this comprehensive exercise. Students are able to see the big picture and learn how the accounting topics build off one another. Accounting is a process and the continuing exercise allows students to put it all together.

NEW Continuing Problem For more detailed and in-depth practice, a "Continuing Problem" is also available. Like the Continuing Exercise, the Continuing Problem takes a single company and adds transactions or questions in each chapter to the existing fact pattern. As students move throughout the text, they complete additional steps in completing this comprehensive problem. Again, students are able to see the big picture and learn how the accounting topics build off one another.

NEW Unique Practice Set Within Chapters 1–8 An in-text "Practice Set" is built into Chapters 1–8 of the student text. Students do not have to purchase any additional material for their practice sets and instructors no longer have to create their own. Since the Practice Set is written by the same authors that write the student textbook, students will once again have consistency. Students will also be able to complete the Practice Set within MyAccountingLab, for automatic grading and immediate feedback.

***Additional separate practice sets are also available.**

- **Runners Corporation Lab Manual** Containing numerous simulated real-world examples, the Runners Corporation practice set is available complete with data files for Peachtree, QuickBooks, and PH General Ledger. Each practice set also includes business stationery for manual entry work.
- **A-1 Photography-Manual Lab Manual** Containing numerous simulated real-world examples, the A-1 Photography practice set is available complete with data files for Peachtree, QuickBooks, and PH General Ledger. Each set includes business stationery for manual entry work.

Clutter-Free Design The reviewer-inspired design is built on the premise that “Less is More.” Extraneous boxes and features, as well as non-essential bells and whistles, have been removed. The authors know that excess crowds what really matters—the concepts, the problems, and the learning objectives. In addition, the equations are called out in a blue box so students can quickly locate them when studying.

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Accounts Receivable
Most businesses sell goods or services in exchange for a promise of future cash receipts. Such sales are made on credit (“on account”), and Accounts receivable is the account that holds these amounts. Most sales in the United States and in other developed countries are made on account.

Notes Receivable
A business may sell goods or services and receive a note receivable or promissory note. A note receivable is a written pledge that the customer will pay a fixed amount of money by a certain date.

Prepaid Expenses
A business often pays certain expenses, such as rent and insurance, in advance. A prepaid expense is an asset because the prepayment provides a future benefit. Prepaid rent, prepaid insurance, and Office supplies are separate prepaid expense accounts. Your college tuition is an asset to you.

Land
The Land account shows the cost of land a business holds for use in operations. Land held for sale is different. Its cost is an investment.

Building
The cost of buildings—an office or a warehouse—appears in the Buildings account. Frito-Lay and The Coca-Cola Company own buildings around the world, where they make chips and drinks.

Equipment, Furniture, and Fixtures
A business has a separate asset account for each type of equipment—Computer equipment, Office equipment, and Store equipment, for example. The Furniture account shows the cost of this asset. Similarly, the Fixtures account shows the cost of light fixtures and shelving, for example.

Liabilities
Recall that a liability is a debt, that is, something you owe. A business generally has fewer liability accounts than asset accounts.

Accounts Payable
Accounts payable is the opposite of Accounts receivable. The promise to pay a debt arising from a credit purchase is an Account payable. Such a purchase is said to be made on account. All companies from Greg’s Groovy Tunes to Coca-Cola to eBay, have Accounts payable.

Notes Payable
Notes payable is the opposite of Notes receivable. Notes payable represents debts the business owes because it signed promissory notes to borrow money or to purchase something.

Accrued Liabilities
An accrued liability is an expense for which the business knows the amount owed, but the bill has not been paid. Taxes payable, Interest payable, and Salary payable are accrued liability accounts.

Additional Features to Create More “I GET IT” Moments

Decision Guidelines Decision Guidelines explain why the accounting concepts addressed in the chapter are important in business. The left hand side of the table explains the decision or action being asked of the student in the simplest terms. The right-hand side of the table shows the accounting topics that will help them facilitate those decisions. In accounting, good numbers equate to good decisions, while inaccurate numbers can lead to poor decisions. The Decision Guidelines help illustrate this concept for students.

Recording Business Transactions 65

Decision Guidelines

ANALYZING AND RECORDING TRANSACTIONS
Suppose Greg Moore, in the chapter’s opening story, opens a small office and needs an accountant to keep his books. Moore interviews you for the job. The pay is good. Can you answer Moore’s questions, which are outlined in the Decision Guidelines? If so, you may get the job.

Decision	Guidelines
• Has a transaction occurred?	If the event affects the entity’s financial position and can be recorded reliably—Yes If either condition is absent—No
• Where to record the transaction?	In the journal, the chronological record of transactions
• What to record for each transaction?	Increases and/or decreases in all the accounts affected by the transaction
• How to record an increase/decrease in an (a)	Rules of debit and credit
Asset	Debit Credit
Liability	– +
Stockholders’ Equity	– +
Dividends	– +
Revenue	– +
Expense	+ –
• Where to store all the information for each account?	In the ledger, the record holding all the accounts
• Where to list all the accounts and their balances?	In the trial balance
• Where to report the results of operations?	In the income statement
	Revenues – Expenses = Net income or Net loss
• Where to report financial position?	In the balance sheet
	Assets = Liabilities + Stockholders’ equity

NEW Success Keys/Learning Objectives

To build cohesiveness, clearly defined learning objectives are labeled throughout the chapter sections, end-of-chapter questions, and also in MyAccountingLab. After a student finishes reading a section within a chapter, he or she can turn to the back of the chapter and complete the labeled questions in order to self-assess their understanding. If the student doesn't "get it," he or she can sign on to MyAccountingLab for interactive learning resources to answer their questions and also to complete additional practice.

Every learning Objective has at least one Starter, Exercise, or Problem to teach and assess the students.

NEW Stop and Think The "Stop and Think" sections relate accounting concepts to students' everyday lives by using examples that make sense to students.

NEW Completion Time for End-of-Chapter Material All Starters, Exercises, and Problems in the textbook list the average completion time for students.

*****NEW*** Modern Restructured Table of Contents** The authors restructured the table of contents

to respond to customers' current level of coverage in the Principles of Accounting course. Financial coverage has been consolidated into 14 chapters so it can be effectively covered in one semester. This includes the Long Term Liabilities Chapter merging with the Bond Chapter and Partnership coverage condensed and covered within the Corporations Chapter. In addition, Process Costing is now an appendix to the Job Costing Chapter.

The Power of Practice – Student Resources

NEW Five Book-Match Sets of Problems and Exercises (A, B, C, D, E)

PROBLEMS: Students will have access to A and B Problems within the text. Static Problem Sets C, D, and E can be assigned by the instructor and completed by students through MyAccountingLab.

EXERCISES: Students will have access to exercise set A within the text. Static exercise sets B, C, D, and E can be assigned by the instructor and completed by the student through MyAccountingLab.

MyAccountingLab Online Homework and Assessment MyAccountingLab is where "I get it!" moments meet the power of practice. This online homework and assessment tool supports the text and resources by providing students "I get it!" moments at their teachable moment, whether that is 1 PM or 1 AM. MyAccountingLab is packed with algorithmic problems, because practice makes perfect. It also includes the exact same end-of-chapter material in the text that instructors can assign for homework. MyAccountingLab features the same look and feel for exercises and problems with journal entries and financial statements so that students are familiar and comfortable working with the material.

Study Guide including Flash Demo Doc CD and Working Papers Demo Docs are available in the Study Guide—both in print and on CD in Flash, so students can easily refer to them when needed. The Study Guide also includes a summary of key topics and multiple-choice and short-answer questions that students can use to test their knowledge.

Free electronic working papers are included on the accompanying CD.

Companion Web Site—www.pearsonhighered.com/horngren

The book's Web site at www.pearsonhighered.com/horngren—contains the following:

- Self-study quizzes for each chapter

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EXHIBIT 2-10 Ledger Accounts After Posting

ASSETS		LIABILITIES		STOCKHOLDERS' EQUITY		REVENUE		EXPENSES	
Cash		Accounts payable		Common stock		Service revenue		Rent expense, computer	
Apr 1 30,000	Apr 2 20,000	Apr 21 300	Apr 3 500	Apr 1 30,000	Apr 8 5,500	Apr 15 600			
Apr 8 1,500	Apr 11 3,200		Apr 30 100	Bal 30,000	Apr 10 3,000	Bal 600			
Apr 22 2,000	Apr 21 500		Bal 300			Bal 8,100			
Apr 24 9,000	Apr 30 2,000								
Bal 21,000									
Accounts receivable				Dividends				Rent expense, office	
Apr 10 3,000	Apr 22 2,000 [*]			Apr 30 2,000				Apr 15 1,000 [*]	
Bal 1,000				Bal 2,000				Bal 1,000	
Office supplies								Salary expense	
Apr 3 500								Apr 15 1,200	
Bal 500								Bal 1,200	
Land								Utilities expense	
Apr 2 20,000	Apr 24 9,000							Apr 15 400	
Bal 11,000								Apr 30 100	
								Bal 500	

*We call the Retained earnings account in Chapter 5, when it arises at the end of the period.
^{*}These values are intentionally different from those presented in Chapter 1.

Stop & Think...

Have you ever walked along the beach and gathered sea shells? Maybe you had more than one bucket and you put all the sand dollars in one, all the hermit crabs in another, and so on. That separation is essentially what happens in posting. All we are doing is gathering transactions that affect the same account (for example, all the transactions to Cash) and putting them in the T-account. They are placed either on the left or right side of the T-account based on whether they were on the left or right side of the journal entry. Posting is merely a sorting process—no change to debits or credits occurs from transaction to posting.

Preparing the Trial Balance from the T-Accounts

A trial balance summarizes the ledger by listing all the accounts with their balances—assets first, followed by liabilities, and then stockholders' equity. In a manual accounting system, the trial balance provides an accuracy check by showing whether total debits equal total credits. In all types of systems, the trial balance is a useful summary of the accounts and their balances because it shows the balances on a specific date for

B Prepare the trial balance from the T-accounts

- Microsoft Excel templates that students can use to complete homework assignments for each chapter (e-working papers)
- Samples of the Flash Demo Docs for students to work through the accounting cycle

The Instructors' Teaching System is for Professors whose greatest joy is hearing students say, "I GET IT!"

Overview of the Instructor Teaching System

The goal of Horngren/Harrison/Oliver, **Financial and Managerial Accounting, 2e**, is to help students achieve "I get it!" moments when they are with the instructor AND when they are NOT.

The student learning system is there for students when instructors can't be, and the Instructor Teaching System is there to help when instructors ARE.

We have asked several instructors how we can help them successfully implement new course-delivery methods (e.g. online, hybrid), while maintaining their regular campus schedule of classes and academic responsibilities. In response, we developed a system of instruction for those who are long on commitment and expertise, but short on time and assistance.

Components of the Instructor Teaching System

Instructor's Edition Featuring Instructor Demo Docs

The primary goal of the Instructor's Edition is **ease of implementation, using any delivery method—traditional, self-paced, or online**. The Instructor's Edition offers a quick cross-reference with key additional teaching resources with everything in one place. The Instructor's Edition includes chapter summaries, teaching tips provided by reviewers, pitfalls for new students, and "best of" practices from instructors from across the world.

To effectively implement the wealth of instructors' resources available, a "Resource Roadmap" is provided to give the description and location of each resource, along with recommendations on classroom applications.

Instructor's Edition Demo Docs In the Instructor Demo Docs, we walk the students through how to solve a problem as if it were the first time they have seen it. There are no lengthy passages of text. Instead, bits of expository text are woven into the steps needed to solve the problem, in the exact sequence—for instructors to provide at the teachable "I get it!" moment. This is the point at which the student has a context within which he or she can understand the concept. We provide conversational text around each of the steps so the student stays engaged in solving the problem.

We also provide notes to the instructor for key teaching points around the Demo Docs, and "best of" practice suggestions before each Instructor Demo Doc.

The Instructor Demo Docs are written with everyday classroom realities in mind while trying to save instructor's time in prepping new examples. Additionally, algorithmic versions of these Demo Docs are provided to students in their student guide. We keep the terminology consistent with the text so there are no surprises for students as they try to work through a problem the first time.

Additional Instructor's Edition Resources

In addition to the Demo Docs, the Instructor's Edition also provides the following helpful material:

- **"First Day of Class" Student Handout:** This is a resource used to help students log onto MyAccountingLab, to teach them how to effectively use Demo Docs, and to provide tips for success in the course.
- **Chapter Summary and Outline:** Teaching Notes for Online and Hybrid Courses
- **Assignment Grid:** The assignment grid outlines all end-of-chapter exercises and problems available in Excel templates as well as General Ledger, Peachtree, or Quickbooks software.

- **10 Minute Quizzes:** Short quizzes can be used to quickly assess students' understanding of the chapter material.
- **Average Completion Time for End-of-Chapter Material:** Allows instructors to assign the appropriate amount of homework for the students. This is also noted in students' texts.

Instructor's Resource Center CD or www.pearsonhighered.com/horngren

The Instructor Resource CD and password-protected site includes the following:

- **The Instructor's Edition**
- **Solutions Manual with Interactive Excel Solutions:** The Solutions Manual contains solutions to all end-of-chapter questions, multiple-choice questions, short exercises, exercise sets, problems sets, and Internet exercises. The Solutions Manual is available through PDF and in print on demand. Solutions to select end-of-chapter exercises and problems are also available in interactive MS Excel format so that instructors can present material in dynamic, step-by-step sequences in class.
- **Solutions Transparencies:** Transparency masters of the Solutions are available on demand in an easy-to-use format for class lectures.
- **Test Bank:** The test item file includes more than 3,000 questions and is formatted for use with WebCT, Blackboard, and Course Compass. Both objective based questions and computational problems are available.
- **PowerPoints:** The PowerPoints summarize and reinforce key text materials. They capture classroom attention with original problems and solved step-by-step exercises. These walk-throughs are designed to help facilitate classroom discussion and demonstrate where the numbers come from and what they mean to the concept at hand. There are approximately 35 slides per chapter.
- **Working Papers in Excel and PDF Format**
- **Image Library**
- **Excel in Practice Templates**
- **Solution Files**

Five Book-Match Sets of Questions (A, B, C, D, E)

Problems Students will have access to A and B Problems within the text. Instructors will have access to static Problem Sets C, D, and E through MyAccountingLab. The solutions manual will also be available through MyAccountingLab.

Exercises Students will have access to exercise set A. Instructors will have access to static exercise sets B, C, D, and E that will also be available in MyAccountingLab with a complete instructors' solution manual.

MyAccountingLab Online Homework and Assessment Manager

The "I get it!" moment meets the power of practice. The power of repetition when you "get it" means learning happens. MyAccountingLab is about helping students at their teachable moments, whether it's 1 PM or 1 AM.

MyAccountingLab is an online homework and assessment tool, packed with algorithmic versions of every text problem, because practice makes perfect. It's also packed with the exact same end-of chapter material that you're used to assigning for homework. Additionally, MyAccountingLab includes the following:

1. A Demo Doc for each of the end-of-chapter exercises and problems that students can refer to as they work through the questions.
2. A Guided Solution to problems they are working on. It helps students when they're trying to solve a problem the way it was demonstrated in class.
3. A full e-book so the students can reference the book at the point of practice.
4. New topic-specific videos that walk students through difficult concepts.

http://www.mathxl.com/?chapterId=2&sld=4&objectiveId=-1&exId=21&allObj=0&fromPlayerCheck=yes - - Windows Internet Explorer

MyAccountingLab

Support Log Out Help 9/24/08 2:42pm Dave Moles

Practice: 2.4 Use a trial balance

Question S2-9 (similar to)

Yellowberry's trial balance follows.

(Click the icon to view the trial balance.)

Compute these amounts for the business:

1. Total assets
2. Total liabilities
3. Net income or net loss during August.

1. Total assets \$ 98500

2. Total liabilities \$ 43000

3. Net income \$

Enter any number or expression in the edit field, then click

Check Answer Clear Answer

Close Window

Yellowberry, Inc.
Trial Balance
August 31, 2008

Account Title	Debit	Credit
Cash	\$ 6,500	
Accounts receivable	15,000	
Supplies	2,000	
Equipment	22,000	
Land	53,000	
Accounts payable		\$ 19,000
Note payable		24,000
Common stock		9,000
Retained earnings		11,000
Service revenue		68,600
Salary expense	24,000	
Rent expense	7,500	
Utilities expense	1,600	
Total	\$ 131,600	\$ 131,600

Help Me Solve This

DemoDocs Example

Video

Textbook Pages

Calculator

Ask My Instructor...

Print...

Close & Return

Companion Web Site—www.pearsonhighered.com/horngren

The book's web site at www.pearsonhighered.com/horngren —contains the following:

- Self-study quizzes—interactive study guide for each chapter
- MS Excel templates that students can use to complete homework assignments for each chapter (e-working papers)
- Samples of the Flash Demo Docs for students to work through the accounting cycle

Online Courses with WebCT/BlackBoard/Course Compass

Pearson offers a link to MyAccountingLab through the Blackboard and WebCT Course Management Systems.

Classroom Response Systems (CRS)

CRS is an exciting new wireless polling technology that makes large and small classrooms even more interactive because it enables instructors to pose questions to their students, record results, and display those results instantly. Students can easily answer questions using compact remote-control-type transmitters. Pearson has partnerships with leading classroom response-systems providers and can show you everything you need to know about setting up and using a CRS system. Pearson will provide the classroom hardware, text-specific PowerPoint slides, software, and support. Visit www.prenhall.com/crs to learn more.

EXHIBIT 1-9
**Financial Statements of
Smart Touch Learning, Inc.**
**SMART TOUCH LEARNING, INC.
Income Statement
Month Ended April 30, 2010**

Revenue:		
Service revenue		\$8,500
Expenses:		
Salary expense	\$1,200	
Rent expense, office	1,100	
Rent expense, computer	600	
Utilities expense	400	
Total expenses		3,300
Net income		\$5,200

**SMART TOUCH LEARNING, INC.
Statement of Retained Earnings
Month Ended April 30, 2010**

Retained earnings, April 1, 2010	\$ 0
Add: Net income for the month	5,200
	5,200
Less: Dividends	(2,000)
Retained earnings, April 30, 2010	\$3,200

**SMART TOUCH LEARNING, INC.
Balance Sheet
April 30, 2010**

Assets		Liabilities	
Cash	\$19,900	Accounts payable	\$ 200
Accounts receivable	2,000	Stockholders' Equity	
Office supplies	500	Common stock	30,000
Land	11,000	Retained earnings	3,200
		Total stockholders' equity	33,200
Total assets	\$33,400	Total liabilities and stockholders' equity	\$33,400

**SMART TOUCH LEARNING, INC.
Statement of Cash Flows*
Month Ended April 30, 2010**

Cash flows from operating activities:		
Receipts:		
Collections from customers (\$5,500 + \$1,000)		\$ 6,500
Payments:		
To suppliers (\$600 + \$1,100 + \$400 + \$300)	\$ (2,400)	
To employees	(1,200)	(3,600)
Net cash provided by operating activities		2,900
Cash flows from investing activities:		
Acquisition of land	\$(20,000)	
Sale of land	9,000	
Net cash used for investing activities		(11,000)
Cash flows from financing activities:		
Issuance of stock	\$ 30,000	
Dividends	(2,000)	
Net cash provided by financing activities		28,000
Net increase in cash		19,900
Cash balance, April 1, 2010		0
Cash balance, April 30, 2010		\$19,900

*Chapter 13 shows how to prepare this statement.

Color-Coded Accounting Equation

This color-coded accounting equation is a tool you will use throughout your first accounting course. This tool is so important that we have to put it here for quick reference. You may find this helpful when preparing your homework assignments. Each financial statement is identified by a unique color. You will see these colors throughout the chapters when we present a financial statement.

1 The **income statement**, enclosed in the red box, provides the details of revenues earned and expenses incurred.

2 The revenue and expense transactions are then condensed into one number—net income—that becomes part of the **statement of retained earnings**, which appears in the yellow box.

3 Information from the statement of retained earnings flows into the **balance sheet**, shown in the blue box.

4 The **statement of cash flows**, as indicated by the green box, provides details of how a company got its cash and how it spent cash during the accounting period.