

college *Accounting*

Chapters
1-15

Second Edition



Peters / Peters

college *Accounting*

Chapters
1-15

Second Edition

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Dedicated to
Mary and Robert,
Helene and Wes,
Suzanne and Michael,
and Annette and Nick

Preface

In revising *College Accounting*, our primary goal was to provide students and faculty with a textbook of superior readability, clarity, and consistency. To ensure these qualities in the related materials, we wrote them ourselves. These materials include Comprehensive Problems, Instructor's Solutions Manuals, the Instructor's Resource Guide, Working Papers, Student Study Guides, Test Bank, Quiz Bank, Achievement Tests, and practice sets.

College Accounting is intended for students taking introductory accounting courses at two and four-year colleges, independent colleges, and in the business environment. This textbook can accommodate the single course model, traditional semester terms, and two and three-quarter sequences. We assume students have limited or no previous experience in accounting.

Features of *College Accounting*

Real Business—Real Life

NEW!

The ultimate test of a good textbook is whether it helps students succeed in the real world. With that in mind, we have used a real business in an extended example spanning Chapters 1-15. Although we used The Kitchen Taylor in the first edition, we did not portray it as an authentic business. In this edition, however, every chapter opens with pictures and a brief discussion specifically related to The real Kitchen Taylor. We are very grateful to Dennis Taylor, the owner, for sharing the story of The Kitchen Taylor with us and all the users of this textbook. It's a very interesting feature that we think will motivate students by bringing the textbook closer to the real world.

Readability and Clarity

To achieve superior readability and clarity, we refined and enhanced the first edition, then submitted it to meticulous editing. We present material in a logical sequence and link key concepts with short transitions. New concepts are defined when introduced and demonstrated with examples that are simple but effective. We chose words carefully to achieve conciseness and, most important, clarity. The tone of this book is businesslike but friendly because we want to invite participation in the learning process.

Consistency

Readers will find our word choice, phrasing, formats, and procedures consistent throughout the textbook and related materials. The account titles, transactions, phrasing, arithmetic requirements, and level of computational difficulty in the end-of-chapter assignments mirror those in the chapter. We avoid loose rephrasing and synonyms that might confuse or frustrate students.

Integration of Theory and Practice

As teachers, we understand the need for a clear and orderly presentation of procedures balanced with accounting theory appropriate for the beginning student. We provide a simple theoretical frame of reference to enhance the student's understanding of accounting procedures. This frame of reference lays the groundwork for the development of accounting logic and reduces the need for memorization. The skillful integration of theory and procedure ensures that the student leaves the accounting course able to bridge that important gap between the classroom and the contemporary world.

Chapter Pedagogy

Learning Objectives

Learning objectives function as the skeletal structure of each chapter. They link the chapter material to the end-of-chapter assignments, the Instructor's Solutions Manuals, the Instructor's Resource Guide, and the Student Study Guides, as well as the Test Bank and Quiz Bank. The learning objectives are highlighted in the margin to indicate where they are discussed in the chapter.

NEW!

What Should Dennis Do?

At the beginning of each chapter, a question relating to The Kitchen Taylor is posed under the banner "What should Dennis do?". The question pertains to a topic presented in the chapter. At the end of the chapter, the answer appears under the banner "What did Dennis do?".

Examples

Each new concept, term, or procedure is introduced with a readable definition and a clear example. Examples are used extensively to demonstrate, reinforce, and integrate important concepts.

Extended Example

As mentioned earlier, a real business is used as an ongoing chapter example throughout the textbook. In Chapter 1, The Kitchen Taylor is introduced as a service business that refinishes kitchen cabinets. Then, in Chapter 11, The Kitchen Taylor becomes a merchandising business that sells new kitchen cabinets. Using the same business consistently in Chapters 1 through 15 gives students a sense of continuity and confidence as they progress into more complex material.

Comments

The comments, located at strategic points in the chapter, are designed to clarify and expand finer points. As teachers, we believe that timely clarification will ensure success with a difficult concept, method, or procedure.

Math Tips

Math tips are positioned in various chapters to assist students in making accounting-related computations. Arithmetic skills are reviewed by briefly discussing and illustrating relevant techniques. We believe the math tips will enhance the student's accounting progress.

Flow Charts

Flow charts provide visual summaries of procedures and relationships. The flow charts are deliberately simple to ensure clarity.

Chapter Summary

Each chapter includes a chapter summary that utilizes the word choice and phrasing from the chapter as much as possible. This repetition provides the reinforcement and consistency that is important to the beginning student.

Demonstration Problems

NEW!

Immediately after each chapter summary, a demonstration problem is presented. These problems reinforce major chapter concepts in a format that prepares students for the homework problems and exercises. The demonstration problems can be used for extra practice by students or as in-class demonstrations by the instructor. Additional demonstration problems are provided in the Instructor's Resource Guide and in the Student Study Guides.

Chapter Glossary

New terms in each chapter appear in an end-of-chapter glossary to reinforce learning and provide a convenient point of reference.

Self-Tests

NEW!

Every chapter contains a short self-test located just before the homework material begins. Each self-test consists of five multiple choice questions with answers provided at the end of the chapter. These questions offer the student a quick review of the basic concepts presented in the chapter.

Questions for Discussion

Each chapter includes eight questions for discussion. Using a format of describe, define, or discuss, these questions review the major topics covered in the chapter. The questions cover topics in the order in which they occur in the text. Phrasing of questions is consistent with that used in the chapter.

Exercises

Each chapter has eight exercises. These exercises, labeled as to content and keyed to the chapter learning objectives, are simple applications of chapter material. Each exercise focuses on only one new concept. The exercises are carefully designed to closely parallel examples used in the chapter.

Problems

The problems are more complex applications of chapter material than the exercises. They help students integrate new concepts, procedures, and methods into the overall accounting cycle. The problems generally follow the sequence of the chapter discussion, progress in difficulty, and are keyed to the learning objectives. Every chapter has an A and a B set of problems. Each set is similar in focus, design, and difficulty. Selected problems may be solved using general ledger or spreadsheet software.

NEW! Check Figures

Check figures are conveniently located in the margin immediately next to each problem. These key figures have been carefully checked for accuracy and conformity with the Instructor's Solutions Manual.

Mini-Cases

The mini-cases are an opportunity to bridge the gap between the classroom and the contemporary world. The mini-cases facilitate the application of accounting logic to business and personal situations, promote class participation, and develop written and oral communication skills.

NEW! A Case of Ethics

Each chapter ends with an ethics case. These cases promote written and/or oral discussions of ethical considerations relating to accounting topics presented in the chapter. Since students can easily relate to the situations described, these cases should provoke some lively discussions.

Comprehensive Review Problems

The textbook contains two comprehensive review problems. Comprehensive Review Problem 1 reviews and reinforces material from Chapters 1 to 6 through the completion of a two-month accounting cycle for Morgan Cleaning Services. Comprehensive Review Problem 2 reviews Chapter 9-15 topics through a one-month accounting cycle for Dawson Products, a merchandising business.

Master Glossary

End-of-chapter glossaries are compiled into an end-of-text glossary to facilitate the quick and efficient review of terminology.

Supplementary Materials for Students

Student Study Guide

Elements for each chapter are the learning objectives, helpful hints, chapter outline, demonstration problem, true/false and multiple choice (questions are different from the test and quiz banks), matching using the chapter glossary, completion, three exercises keyed to learning objectives, and solutions to the above.

Working Papers

Working papers have been carefully reviewed to ensure coordination with the textbook. Account titles, forms schedules, and notation conform with the textbook, the Instructor's Solutions Manual, the Instructor's Resource Guide, and transparencies.

Practice Sets

Name	Type	Type of Business	Chapter Focus
Eagle Express	Manual/ Computerized	Service business, express delivery, sole proprietorship	Chapters 1-6
Holiday Health Club	Manual/ Computerized	Service business, health club, with payroll, sole proprietorship	Chapters 1-10
John Webster, Attorney-at-Law	Manual	Legal practice, sole proprietorship, combination journal	Chapters 1-10
Kenneth Parker, MD	Manual	Medical practice, sole proprietorship, combination journal	Chapters 1-10
The Frame Up	Manual	Payroll, sole proprietorship	Chapters 9-10
Wheeler Dealer	Manual/ Computerized	Merchandising business, motorbikes, sole proprietorship	Chapters 1-15

Ready Notes

Scaled-down versions of the Ready Slides and Ready Shows can be purchased by students at a nominal price. These facilitate classroom interaction and excellent student note taking and retention.

Software

NEW!

GLAS (General Ledger Applications Software), SPATS (Spreadsheet Applications Template Software) and Tutorial Software are available. GLAS and SPATS may be used to solve selected homework problems that are noted with a computer icon in the margin of the textbook. Tutorial Software reinforces the chapter content through multiple choice, true-false, matching, and journal entry review. For each type of software, DOS and Windows versions are available.

The English/Spanish Glossary of Basic Accounting Terms

NEW!

This glossary by Dick Wasson was developed to meet the needs of Hispanic students studying accounting. It is a great aid to Spanish speaking students who are struggling with English.

Supplementary Materials for Instructors

F.A.S.T. (Fully Annotated Support for Teaching) Edition

NEW!

Marginal annotations include Lecture Notes, Reality Check, Practice, and Check Figures. Lecture Notes are teaching suggestions; Reality Check

offers ways to bring students and real life experiences into the classroom; Practice guides instructors to exercises on a particular topic; and Check Figures are key figures selected for each problem at the end of the chapter.

Instructor's Solutions Manual

Answers to the questions for discussion, exercises, problems (sets A and B), mini-cases, ethics cases, and comprehensive review problems are provided for each chapter. Learning objectives are keyed to the exercises and problems for each chapter. Computations are extensive. Although prepared by the authors, the solutions were independently rechecked three times.

Instructor's Resource Guide

The Instructor's Resource Guide, separate from the Instructor's Solutions Manual, is designed to assist busy professionals in developing lectures and selecting homework assignments. Each chapter contains the chapter learning objectives keyed to homework assignments, a chapter outline, the chapter summary from the text, and a demonstration problem accompanied by a solution.

Solution Transparencies

Acetate transparencies of solutions to all exercises, problems (sets A and B), and comprehensive problems are available to adopters. Large type and quality manufacturing ensure high resolution projection.

NEW! Teaching Transparencies (Ready Slides and Ready Shows)

Prepared using Power Point, these dynamic presentation tools will enhance your classroom effectiveness. Available in both acetate (Ready Slides) and computerized (Ready Shows) formats, these full color presentations will bring your classroom discussion to life. Students should purchase the Ready Notes to maximize classroom learning.

EXPANDED! Test Bank

The test bank for Chapters 1 through 15 consists of over 1,200 questions in true/false, multiple choice, problem, and essay formats. Each chapter has a separate and independent set of questions to ensure instructor flexibility. If the instructor chooses not to use the computerized version, the test bank design and typography facilitate easy duplication.

NEW! Quiz Bank

The quiz bank consists of 20 questions (15 multiple choice and 5 true/false) for each chapter. These questions are different from those contained in the test bank. Each quiz is easily duplicated from the hard copy of the quiz bank.

Computest

CompuTest is a computerized version of the text bank. It allows the instructor to select, alter, and/or add test items. CompuTest is capable of generating different versions of the same test. CompuTest, menu-driven and including a well-documented instructor's manual, is available on 3-1/2 and 5-1/4 inch disks for use on IBM and Apple computers.

Teletest

Teletest is a Richard D. Irwin service which prepares examinations when adopters phone in requests. Within one day, an examination and answer key will be mailed to the instructor.

Achievement Tests

Two series (A and B) of preprinted achievement tests are available. Every test in each series covers only one chapter, allowing instructor flexibility.

Videos

NEW!

Videos are available to enhance classroom presentations or for independent viewing. These videos allow students to visit with authentic small business owners without leaving the classroom, library, or their own home. Continuing the small business, decision making approach of the text, these videos will allow students to “practice” the concepts presented within *College Accounting*.

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Judith M. Peters
Robert M. Peters

Prologue



While living at home and going to college, Dennis Taylor started a small service business which he operated on a part-time basis out of his parents' home. The business provided Dennis with money for school plus a little spending money.

Along with Andy, his faithful fox terrier, Dennis went into homes throughout DuPage County, Illinois, refinishing kitchen cabinets. Dennis loved his work and so did his customers. So much so, that this small service business with no employees (we hope this doesn't hurt Andy's feelings), grew into a very successful full-time business known as The Kitchen Taylor.



Today, Dennis employs several people and has expanded his business to include the sale and installation of readymade and custom kitchen cabinets. Andy, by the way, still accompanies Dennis to the office each day and to various job sites.

We think you might have a lot in common with Dennis Taylor. Many of you are probably working to put yourself through school just as Dennis was doing when he started The Kitchen Taylor. Back then, Dennis never envisioned a need to study accounting. He made money by refinishing cabinets. Keeping records was no big deal! Soon, however, Dennis realized that he had a lot of questions about his business.



- What were his sales so far this month?
- Were this month's sales greater than last month's sales?
- Did he have enough cash to buy the supplies he needed for next week's job?
- Was his checking account balance up to date?
- Had he received a cash deposit from Mrs. Lopes?
- Had he deposited the cash Mr. Tuong gave him?
- Was he charging customers enough to cover all his expenses?
- How much money was leftover after paying his expenses?
- What was his taxable income and what were his tax-deductible expenses?



Dennis quickly realized that he had underestimated the importance of keeping records of his business transactions. But how should these transactions be recorded? What types of financial reports would be useful? In other words, Dennis realized he needed to learn some basic accounting.

After enrolling in a beginning accounting course, Dennis began to use what he learned in his own business. These days, Dennis can afford an accounting service, however, his knowledge of accounting allows him to communicate in a more meaningful way with his accountant. Dennis understands The Kitchen Taylor's accounting system and he understands the financial reports he receives from his accountant. Every day, Dennis depends on accounting information to run his business.

