

INTERMEDIATE ACCOUNTING



Hartman, Harper, Knoblett, Reckers



INTERMEDIATE ACCOUNTING

3rd Edition

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INTERMEDIATE ACCOUNTING

IP

Illustrated Preface

A BALANCED APPROACH

As professionals, students will need to know and apply the principles of accounting, while being able to recognize and solve problems in the unpredictable, fast-paced business world. *Intermediate Accounting* addresses the importance of this balance by using a financial statement analysis framework that bridges the gap between simply applying GAAP and making smart decisions on the job.

The strength of the financial analysis approach is that it perfectly frames for the student the financial health and activity of the firm for exploration in terms of both how and why. It addresses the preparation as well as the interpretation of financial data and builds the set of skills that students need early in their careers – preparation and use of financial information – with bias toward neither.

A COMFORTABLE BALANCE

A look at the Table of Contents reveals that the text has been limited to a manageable 20 chapters, without sacrificing the comprehensive coverage necessary to prepare for even the most demanding careers in accounting. Real-world examples are used to illustrate key issues and to teach problem solving.

CHANGE IN THE BALANCE

The third edition of *Intermediate Accounting* features many enhancements to the previous edition, while retaining important features.

INCREASED EMPHASIS ON FINANCIAL STATEMENT ANALYSIS

Each chapter reports and compares the performance of real-world corporations in the key areas of operational efficiency, asset productivity, financial leverage, and capital generation. Product differentiation and cost leadership strategies are related to (1) income statement margins, (2) balance sheet account turnover ratios and debt-to-equity risk trade-offs, and (3) cash flow statement quality of earnings measures. Exercises allow students to compare the predicted and actual growth performance of prominent national and international companies.

SAP Exercises

This is the first intermediate accounting text to include Enterprise Resource Planning (ERP) exercises. South-Western College Publishing has partnered with SAP to provide a CD-ROM that will take students to an Internet site and a simulated SAP environment. ERP systems, such as SAP, allow companies to automate and integrate all of their functions and generate the necessary information for strategic, day-to-day decision making. As these systems become more widely used, it is important for students to understand how they work Each part of *Intermediate Accounting* introduces different aspects of ERP and includes exercises developed by Govind Iyer of Arizona State University. Some of these exercises can be solved interactively.



In the past decade, businesses have encountered dramatic changes in the competitive environment. New markets, global competition, and increasing customer expectations have necessitated that organizations constantly reengineer their business practices and procedures to be more responsive to the fast-changing environment. To do that organizations need to have an information system that provides accurate and timely information. Indeed, information management has emerged as one of the most important competitive advantages of an organization.

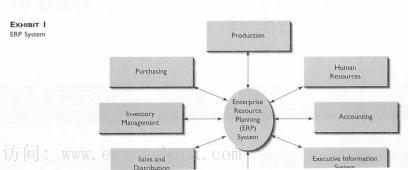
Overview of Enterprise Resource Planning (ERP) Systems

Enterprise Resource Planning (ERP) systems allow companies to automate and integrate all of an enterprise's various functions and generate the necessary information for strategic and day-to-day decision making. An ERP system may be defined as "[comprising] a commercial package that promises seamless integration of all the information flowing through the company." ERP software provides an integrated so-

lution linking all activities of an organization that previously may have been managed by different computer systems or applications. An ERP system also reflects the major business processes of the organization, such as procurement, manufacturing, and sales order fulfillment.

Financial Accounting in SAP

Most traditional accounting software packages merely provide the basic functionality of efficient processing of transactions. In essence, the software limits itself to the mechanization of bookkeeping. However, an effective accounting information system should provide the right information to the right people at the right time and in the right form. Thus, simply having a mechanized set of books that automates the generation of financial statements at the end of the year is not enough. A comprehensive accounting information system must be able to discern important events and trends, provide timely and relevant information, and enable managers to deal with problems or take advantage of opportunities. This is possible if the accounting system is integrated seamlessly with all other activities performed by the organization.



"IMAGINE" BOXES

Critical-thinking questions have been added to each chapter to help students relate the chapter's concepts to real-world situations.

Transactions generally involve two parties. When the company above purchases equipment, another company sells it. What is the entry for the company that sold the equipment?

LEDGERS

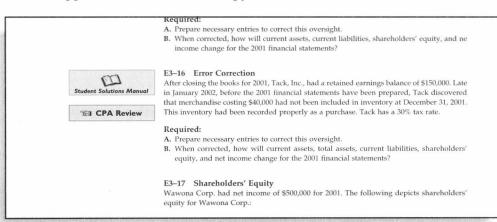
While journal entries are a record of transactions, they are not convenient for monitoring the activity and current balances of individual accounts. Any typical business enterprise may have hundreds or even thousands of transactions daily, and trying to examine cash or any single account

would be very difficult if one relied on journal entries exclusively. To alleviate this problem, individual accounts are maintained in *ledgers*, or master files.

The process of transferring amounts from the journals into ledger accounts is called *posting*. The bottom panel of Exhibit 2–4 reflects the four sample transactions posted to **general ledger** accounts. A general ledger contains accounts for all the

CPA REVIEW MATERIALS

Intermediate Accounting now includes portions of Becker's multimedia CPA Review materials, keyed to key topic areas, in a separate student guide that is shrinkwrapped free with each new copy of the text.



INTEGRATED INTERNET ACTIVITIES

At the Hartman home page (http://hartman.swcollege.com), instructors may download resources and read or submit great ideas for teaching accounting. In addition, students have links to EdgarScan for current company information, to CPA review questions, and to interactive quizzes.

INTERACTIVE FINANCIAL ACCOUNTING CASE

Included free with each new copy of the text is a CD-ROM containing three interactive cases in financial analysis. Based upon actual financial statements, press releases, expert business opinion, and industry data, students must determine whether to issue a letter of credit.

CONCEPT/LOGIC STATEMENTS

These statements direct students' attention to the conceptual bases of various issues, such as revenue recognition or asset valuation.

CONCEPT

Periodicity, revenue recognition, and matching.

Many of the fundamental assumptions and conventions or principles discussed in Chapter I underlie the adjusting process. The need for the process arises because reports are prepared for distinct accounting periods. Revenue should be recognized in the period in which it is earmed. Expenses incurred to generate revenues should be matched against those revenues in the period the revenue is recognized. Revenue recognition and matching are the basis of accrual accounting. Further, end-of-period adjustments are frequently necessary to properly reflect the company's resources and obligations and the changes to them.

INTEGRATIVE CASES

Eight comprehensive cases, prepared by Philip Regier of Arizona State University, integrate accounting with other business functions – such as marketing, management, production – and involve international, ethical, and financial issues that have confronted well-known companies, such as IBM, Dow Chemical, and Pfizer.

THE GAP IN GAAP

An updated Chapter 20 describes instances in which reporting in compliance with GAAP did not faithfully represent the underlying economic reality of the events in question.

BALANCED SUPPORT

...FOR THE INSTRUCTOR

The following supplements are available on a single CD-ROM as well as in printed form. In addition, except for the Test Bank, they can be downloaded from the Hartman Web site (http://hartman.swcollege.com).

Instructor's Manual

Solutions Manual, Vol. 1 (Chapters 1–10)

Solutions Manual, Vol. 2 (Chapters 11-20)

Test Bank

Computerized Test Bank

PowerPoint Lecture Presentations

Web Tutor on WebCT.

This online tool delivers innovative learning aids that actively engage students.



BALANCED SUPPORT

...FOR THE STUDENT

Several student study aids – including self-quizzes, PowerPoint slides, an EdgarScan Demo that facilitates the retrieval of current financial reports, and hot links to related sites – are available free of charge at the Hartman Web site (http://hartman.swcollege.com).

The following supplements are available for student purchase through the college bookstore or at the Hartman Web site.

Study Guide

Student Solutions Manual

Excel® Spreadsheet Templates

Interactive Accounting Tutorial.

This self-paced and fully interactive tutorial contains practice assignments, homework assignments, and student instructions.

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TO OUR LOVING AND SUPPORTIVE FAMILIES

Betsy
Deborah, Robin, and Kelly
Carole
Patricia, Brian, Colleen, and Ashley

PART

1

Background Core

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The Conceptual Framework and Objectives of Financial Reporting

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The Accounting Process

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Balance Sheet and Owners' Interests

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