

Intermediate Accounting

Smith • Skousen

Comprehensive
Volume

Tenth Edition

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Volume**

Tenth Edition

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AC92JA
PUBLISHED BY

SOUTH-WESTERN PUBLISHING CO.
CINCINNATI, OH WEST CHICAGO, IL DALLAS, TX LIVERMORE, CA

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Cincinnati, Ohio

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1 2 3 4 5 Ki 3 2 1 0 9

Printed in the United States of America

Smith, Jay M.

Intermediate accounting : comprehensive volume / Jay M.
Smith, Jr., K. Fred Skousen, -- 10th ed.

p. cm.

Bibliography: p.

Includes index.

ISBN 0-538-80500-5

1. Accounting. I. Skousen, K. Fred. II. Title.

HF5635.S5946 1990

657'.044--dc20

89-11556

CIP

Preface

The publication of the tenth edition of **INTERMEDIATE ACCOUNTING** represents a milestone. No other intermediate accounting text has been in use for as long as this text, which has benefited from the suggestions of thousands of students and teachers. The tenth edition builds on and maintains the strengths of past editions. At the same time, this edition represents a totally updated and current revision of this widely accepted textbook. All relevant FASB pronouncements issued through July 1, 1989, are incorporated in the tenth edition, including the FASB's important recent statements No. 95 (Statement of Cash Flows) and No. 96 (Accounting for Income Taxes), and its exposure draft on Employers' Accounting for Postretirement Benefits Other Than Pensions. In addition, recent changes in tax laws, such as uniform cost capitalization rules and MACRS, have been incorporated.

The underlying objective of this edition is to continue to provide the most teachable and student-oriented text on the market. Topics are introduced and developed in a logical sequence and explained in a manner that is clear and understandable to students. Many real-world examples have been added to enhance student understanding and interest. The student-oriented approach of **INTERMEDIATE ACCOUNTING** is one of the main reasons why it has been a leading intermediate text for so many years. The emphasis on student understanding and teachability has been retained and strengthened in the tenth edition.

Important Features of the Tenth Edition

The overall structure of the tenth edition is similar to that of the ninth edition. The following new features have been added to aid students in their reading and studying of the text material:

Chapter Topics Each chapter begins with an outline of the main topics to be covered in that chapter. This will help instructors and students see the organizational flow of the chapter. These chapter topics also will help students evaluate their understanding of the main points of each chapter.

Key Terms Important terms and concepts are highlighted in color throughout the text. At the end of each chapter, there is a list of key terms for that chapter with appropriate page references. This will help students to identify the key terms they should know and to locate the page in the text where a particular term is defined and discussed.

Glossary A glossary is provided at the end of the book. This glossary lists all key terms in alphabetical order and provides a succinct definition of each term.

Several chapters have been significantly revised, and the chapters on deferred income taxes and the statement of cash flows have been totally rewritten. The revisions reflect extensive feedback from users of the ninth edition and from several accounting educators who reviewed the new and revised material for the tenth edition. Following is a summary of the most significant features of the tenth edition of **INTERMEDIATE ACCOUNTING**.

Comprehensive Coverage of Topics

The tenth edition has been expanded to provide more comprehensive coverage of important topics and issues in financial accounting and reporting. Many new illustrations, examples, and applications have been added throughout the text to clarify and reinforce discussions and explanations. Just as important, the coverage of some topics has been reduced or eliminated, where appropriate, to allow time for concentration on the major topics.

Real-World Perspective

Real-world examples and events are used extensively to illustrate important points and to enhance student interest. This feature enables students to view financial accounting and reporting from a broader, business-oriented perspective. These illustrations provide a frame of reference that is helpful for students in making the transition from text knowledge to application of principles.

Current Accounting Standards

The text has been updated to include all current pronouncements of the FASB that are relevant to intermediate accounting. These include the standards relating to accounting for income taxes, the statement of cash flows, and the Board's proposed standard on postretirement benefits other than pensions.

End-of-Chapter Materials

Many new and revised questions, cases, exercises, and problems are included at the end of each chapter. The questions and cases provide a vehicle for promoting class discussion of important issues. The number of exercises and problems have been increased to allow instructors more flexibility in making assignments.

Readability

The authors have focused their efforts on making this text the most readable intermediate text on the market. The discussion of topics within each chapter progresses logically and concentrates effectively on the points being discussed. The discussion is streamlined to emphasize major points, allowing much of the technical detail to be obtained, if needed, on specific job assignments. The result is a balanced mix of theory and practice that is needed by students preparing for careers in accounting.

Highlights of Specific Changes

The tenth edition of **INTERMEDIATE ACCOUNTING** consists of twenty-six chapters organized into five logically related parts. Every chapter in the text has been revised, and many have been extensively rewritten. Following is a summary of the most significant content changes.

Review of the Accounting Process Chapter 3 reviews the accounting cycle, including the basic relationships of accounts. Three appendixes also are included. The appendix on special journals and subsidiary ledgers has been revised extensively to make it more consistent with practice; an appendix has been added illustrating the closing method for inventory in a periodic system; and an appendix providing a comprehensive illustration of accrual versus cash accounting is retained.

Balance Sheet and Statement of Cash Flows A new comprehensive balance sheet illustration for a hypothetical company has been added in Chapter 5. In addition, the discussion and illustration of the statement of cash flows has been completely revised and updated.

Accounting for Long-Term Debt Securities New current material has been included in Chapter 15. Definitions and examples of such topics as junk bonds, leveraged buyouts, and off-balance-sheet financing make this chapter particularly relevant in today's business world.

Stockholders' Equity Chapters 16 and 17 have been revised to include more examples and illustrations of stockholders' equity. Where applicable, entries for the investor have been added to those shown for the issuer for further clarification.

Accounting for Income Taxes Chapter 20 has been completely rewritten to incorporate the asset and liability approach required by FASB Statement No. 96. The chapter includes a discussion of the conceptual justification for interperiod income tax allocation, and a clear description of temporary differences between taxable income and financial income. The asset and liability approach is presented in a series of examples that clearly illustrate the scheduling of temporary difference reversals required under FASB Statement No. 96. A discussion of the strengths and weaknesses of this controversial statement concludes the chapter. Expanded discussion and illustration of

intraperiod income tax allocation and accounting for the investment tax credit are included in appendixes to the chapter for those instructors who wish to cover these topics.

Accounting for Pensions Chapter 22 has been expanded to include a comprehensive illustration of accounting for pensions from one period to another according to the requirements of FASB Statement No. 87. The interplay between recorded information and memorandum information for purposes of pension note disclosure is clarified with added exhibits to aid students in understanding these important relationships. The new exposure draft dealing with accounting for other postemployment benefits is presented in an appendix to Chapter 22. Because the recording of these additional employee benefits could have a significant impact on employer's financial statements, emphasis is placed on the conceptual basis for the exposure draft and on the factors that make accounting for these benefits particularly difficult.

Statement of Cash Flows Chapter 24 has been completely rewritten to incorporate FASB Statement Nos. 95 and 102. The statement of cash flows replaces the statement of changes in financial position (funds statement) as one of the three primary financial statements that must be presented to external users. The requirements of Statement No. 95 are explained clearly, including a discussion of both the direct and indirect methods of computing net cash flow from operations. Illustrations are provided that highlight the required format for classifying cash flows according to operating, investing, and financing activities. To provide an historical perspective, the chapter also includes a brief explanation of the development of the cash flow statement.

Supplementary Materials

A comprehensive package of supplementary materials is provided with the tenth edition to assist both instructors and students.

Available to Instructors

Solutions Manual. This manual contains the

answers to all end-of-chapter questions, cases, exercises, and problems.

Instructor's Manual, prepared by Andrew H. Barnett, San Diego State University. This new manual contains objectives, chapter outlines, teaching suggestions and strategies, topical overviews of end-of-chapter materials, assignment classifications with level of difficulty and estimated completion time, suggested readings on chapter topics, and teaching transparency masters. The text of the Instructor's Manual is available on diskette.

Transparencies. Transparencies of solutions for all end-of-chapter exercises and problems are available with the tenth edition of the text.

Examinations. A test bank is available in both printed and microcomputer (MicroSWAT II) versions. The test bank, which has been significantly revised and expanded, includes true-false, matching, and multiple-choice questions and examination problems for each chapter, accompanied by solutions.

Template Diskette. The template diskette is used with Lotus® 1-2-3®¹ for solving selected end-of-chapter exercises and problems that are identified with the symbol at the right. The diskette for the tenth edition includes a greater number of exercises and problems and may be ordered free of charge from South-Western Publishing Co.

Key for Practice Case. The key provides a complete solution for *SporTime Inc. II*.

Available to Students

Study Guide, prepared by Frank J. Imke, The University of Texas of the Permian Basin. The study guide provides review and reinforcement materials for each chapter, including learning objectives, a glossary of key terms in the chapter, chapter review outlines, objective questions, and short problems. Answers for all questions and problems are provided in a separate section at the end of the study guide.

Practice Case, prepared by Donald C. Dwyer, Berkshire Community College. The practice case, *SporTime Inc. II*, provides a comprehensive review of accounting principles.

Electronic Spreadsheet Applications for Intermediate Accounting, prepared by Gaylord N.

¹Lotus® 1-2-3® are registered trademarks of the Lotus Development Corporation. Any reference to Lotus or 1-2-3 refers to this footnote.

Smith, Albion College. This supplemental text-workbook with template diskette includes intermediate accounting applications and a Lotus 1-2-3 tutorial. It requires approximately 25-30 hours for completion.

Working Papers. Printed forms for solving end-of-chapter problems are contained in a single bound volume and are perforated for easy removal.

Check Figures. Instructors may order check figures for students to use in verifying their solutions to end-of-chapter problems.

Acknowledgements

Relevant pronouncements of the Financial Accounting Standards Board and other authoritative publications are paraphrased, quoted, discussed, and referenced throughout the textbook. We are indebted to the American Accounting Association, the American Institute of Certified Public Accountants, the Financial Accounting Standards Board, and the Securities and Exchange Commission for material from their publications.

We thank the following faculty who reviewed the previous edition or manuscript for this edition and provided many helpful suggestions:

Ted Bainbridge
Concordia College

Andrew H. Barnett
San Diego State University

Linda C. Bowen
University of North Carolina—Chapel Hill

H. Lawrence Dennis
North Georgia College

Napoleon Lucchini
South Puget Sound Community College

Donald C. Dwyer
Berkshire Community College

Delbert B. Hurst
Lambuth College

Eileen M. Kapinos
Holyoke Community College

Richard T. King
Dickinson State University

Robert Leshin
Miami-Dade Community College

Penny Marquette
University of Akron

John A. Marts
University of North Carolina—Wilmington

John D. O'Connell
College of the Holy Cross

Craig Pence
Highland Community College

Donald R. Suttles
Catawba College

Thomas F. Schaefer
Florida State University

Arthur R. Wyatt
Arthur Andersen and Company

We also wish to thank the faculty and students who have used INTERMEDIATE ACCOUNTING and volunteered their comments and suggestions.

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