

Career accounting fundamentals

Douglas J. McQuaig



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For Gwen, Bev, Judy, John, and Laurie

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Preface

This book and its ancillary materials are dedicated to the students who will use them. **Career Accounting Fundamentals** provides students with a sound basic knowledge of accounting concepts and procedures, always taking into consideration the widely varying objectives that students have. The book offers:

- Vocational preparation for students entering the job market in the field of accounting.
- A practical background in accounting for students embarking on various other business careers, such as clerical, secretarial, technical, sales, and managerial positions.
- Preparation and background for students planning more advanced studies in accounting.

The writing of **Career Accounting Fundamentals** has been based on my 25 years' experience as a "chalk-in-hand" accounting teacher at the high school, community college, and four-year college levels. From this classroom experience, I feel that I am well acquainted with the nature of the questions students ask, as well as with aspects of the subject that seem to give them trouble. For years I have felt that there is a real need for a teachable book of this nature: an accounting book aimed at students with widely differing goals, and written in language they can understand.

Career Accounting Fundamentals offers a complete package, designed for use primarily in first-year accounting courses and based on the assumption that the reader has had no previous accounting background. It presents the fundamentals of accounting in a logical, easy-to-understand manner, yet uses the most up-to-date accounting terminology. The text starts with simple descriptions and progresses to more complex topics. An appropriate, but not needless amount of repetition is provided to establish fundamental concepts clearly in the minds of the students, as well as to enable them to build up their confidence to handle more complex material. To encourage the transfer of learning, each chapter relates new topics to examples, concepts, and procedures presented previously. The book uses the analysis approach to introduce students to the subject matter and gives concrete examples of business working papers to illustrate each step of the accounting process. In addition, most of the material has been class-tested for instructional soundness.

Special features

Flexibility The instructor who uses this book can achieve a remarkable degree of flexibility by combining chapters in various ways to fit his or her needs. (Various suggestions for combinations of chapters are offered in the foreword to the instructor's manual.) An instructor may establish various modules in order to teach segments of accounting fundamentals. Conveniently, the book may be divided to accommodate either quarter or semester schedules. In terms of topics covered by blocks of chapters, Chapters 1

through 6 cover the accounting cycle for a service enterprise; Chapter 7 covers a professional enterprise; Chapters 8 through 12 cover a merchandising enterprise; and Chapters 13 through 15 cover special accounting systems for bank accounts and payroll.

Latest recognized accounting principles The accounting principles described here are those endorsed by the Financial Accounting Standards Board and its predecessor, the Accounting Principles Board of the American Institute of Certified Public Accountants. All package materials have also undergone numerous professional accuracy checks.

Illustrations Every effort has been made to accompany the introduction of each concept and procedure with an example. Diagrams and exhibits are used widely to portray illustrations of concepts.

Reviews To help the instructor sum up and reiterate important principles, the book presents reviews of ledger account placement and representative transactions in Chapters 6 and 15. In addition, a practical review problem in Chapter 6 enables students to practice what they have learned in those first six chapters.

Appendix An optional appendix on data processing is also included.

Package components

Career Accounting Fundamentals, the text itself, is the principal resource. Each chapter contains the following teaching aids:

- Key points, to accentuate important concepts and principles.
- Chapter contents, to show the order and development of topics covered.
- Specific objectives, to tell students what procedures they can expect to master as they work their way through the chapter.
- A summary, to reinforce new concepts, principles, and procedures covered.
- A glossary, to define terms introduced in the chapter. (For easy reference, these terms are also included in the index, with "defined" subentries.)
- Exercises, based on material contained in the chapter.
- Problems, four regular and four alternate, increasing in difficulty, to require students to use the techniques they have just learned.

Workbook/working papers In addition to working papers on which students may work out and hand in solutions to the text problems, the workbook includes brief objective questions and exercises on the material in each chapter. Special features are a review of business mathematics for everyday accounting use, to help students with a weak mathematics background; and self-check figures from the solutions of most text problems, to allow students to spot-check the accuracy of their work.

Practice set The practice set is a separate booklet with complete business papers for Harmon's Fine Furniture. It offers students the practical task of handling a merchandising firm's accounts for a fiscal period of one month and gives them a chance to put into practice all they have learned in the text.

Instructor's manual This volume includes recommended instructional procedures for each chapter, as well as solutions presented in a form suitable for preparing overhead transparencies. The instructor's manual is available, upon request, to teachers using the text.

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Finally, I would like to thank my family for their understanding and cooperation during the four years of my writing project. Without their support and patience, this book would never have balanced. Especially, I appreciate the efforts of my daughter and son—Judith L. McQuaig, C.P.A., and John D. McQuaig, C.P.A.—who read significant parts of the manuscript.

Douglas J. McQuaig

Note to the student

The late Hollywood star Clifton Webb once said, "I am a self-made man. But I think if I had it to do over again, I'd call in an expert."

You have just called in an expert, by virtue of the fact that you're taking a course in accounting and have obtained this textbook. You're going to need accounting know-how, in some form or another, for the rest of your life. And if you already have a job that involves keeping the books for some small business or a professional office, you're going to need, in the immediate future, every scrap of accounting information you can get your hands on.

So it makes sense for you to keep this book on your desk for at least the first year or two after you have finished taking the course. You won't be able to remember *everything* you learned. Therefore, your textbook will prove to be a ready source of information about techniques of accounting, especially if—as we hope—your job becomes more complex and you are given more responsibility and larger sums of money to deal with.

D. J. M.

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1

Analyzing business transactions: asset, liability, and owner's equity accounts

Accounting is the language of finance—a universal language. Robert H. Montgomery, *Origin and Evolution of Double-Entry Bookkeeping*

Key points

- Accounting, because it is the language of business, provides an excellent background for anyone planning to enter the world of business.
- Definition of accounting
- After each transaction has been recorded, the total of one side of the Fundamental Accounting Equation must equal the total of the other side.
- The balance sheet, as a financial statement, is simply a listing of the asset, liability, and owner's equity accounts.

Chapter contents

- Introduction
- Definition of accounting
- Fields in which accounting is needed
- Assets and owner's equity
- The balance sheet
- Summary
- Glossary
- Exercises
- Problems

Specific objectives

After you have completed this chapter, you will be able to:

- Define accounting.
- Record a group of business transactions, in columnar form, involving changes in assets, liabilities, and owner's equity.
- Present a balance sheet.

Introduction

Accounting is often called the *language of business*, because when confronted with events of a business nature, all people in society—owners, managers, creditors, employees, attorneys, engineers, and so forth—must use accounting terms and concepts in order to describe these events. Examples of accounting terms are *net*, *gross*, *yield*, *valuation*, *accrued*, *deferred*—the list could go on and on. So it is logical that anyone entering the business world should know enough of the “language” to communicate with others and to understand their communications.