

Volume III

FUNDAMENTAL ACCOUNTING PRINCIPLES

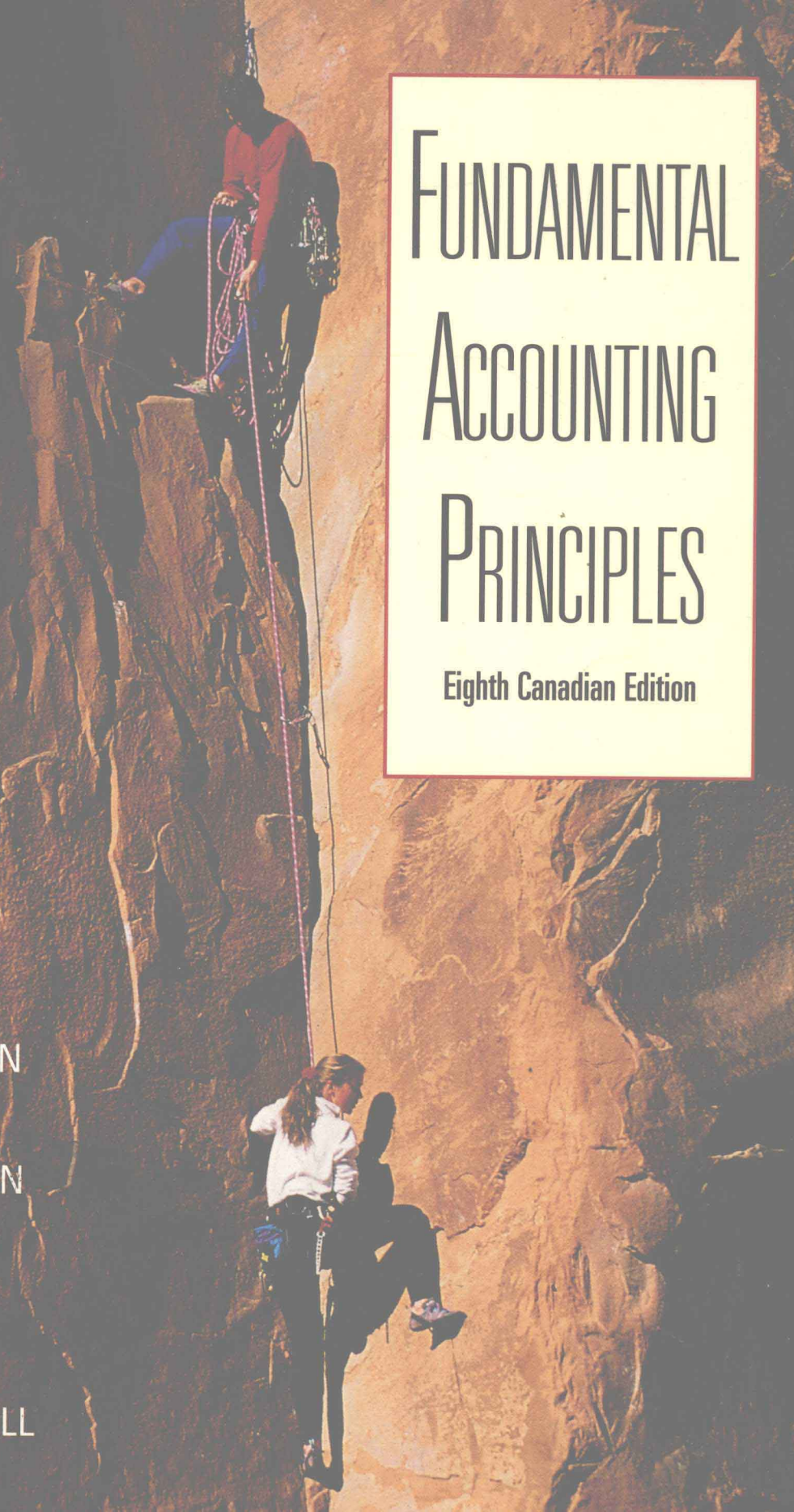
Eighth Canadian Edition

LARSON

NELSON

ZIN

CARROLL



FUNDAMENTAL ACCOUNTING PRINCIPLES

EIGHTH CANADIAN EDITION
VOLUME III

KERMIT D. LARSON
University of Texas—Austin

MORTON NELSON
Wilfrid Laurier University

MICHAEL ZIN
Professor Emeritus
University of Windsor

RAY F. CARROLL
Dalhousie University

Represented in Canada by:



Times Mirror

Professional Publishing Ltd.

IRWIN

Toronto • Chicago • Bogotá • Boston • Buenos Aires
Caracas • London • Madrid • Mexico City • Sydney

Photo Credits

Chapter 20: *Sharon Hoogstraten*; Chapter 21: *Courtesy of Molly Maid International Inc.*; Chapter 22: *Jim Pickerell/Tony Stone Images*; Chapter 23: *Sharon Hoogstraten*; Chapter 24: *CANAPRESS/Frank Gunn*; Chapter 25: *Dan Bosler/Tony Stone Images*; Chapter 26: *Sharon Hoogstraten*; Chapter 27: *Courtesy of Tippet-Richardson*;

©Richard D. Irwin, a Times Mirror Higher Education Group, Inc. company, 1996

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of the publisher.

Irwin Book Team

Publisher:	<i>Roderick T. Banister</i>
Developmental editor:	<i>Sabira Hussain</i>
Marketing manager:	<i>Murray Moman</i>
Project editor:	<i>Waivah Clement</i>
Production supervisor:	<i>Bob Lange</i>
Assistant manager, graphics:	<i>Charlene R. Perez</i>
Senior designer:	<i>Heidi J. Baughman</i>
Coordinator, Graphic and Desktop Services:	<i>Keri Johnson</i>
Photo researcher:	<i>Randall Nicholas/ Nicholas Communications, Inc.</i>
Compositor:	<i>York Graphic Services, Inc.</i>
Typeface:	<i>10 1/2 /12 1/2 Times Roman</i>
Printer:	<i>Von Hoffmann Press, Inc.</i>



**Times Mirror
Higher Education Group**

ISBN 0-256-20956-1

Library of Congress Catalog Number 95-80682

Printed in the United States of America

1 2 3 4 5 6 7 8 9 0 V H 3 2 1 0 9 8 7 6



FUNDAMENTAL ACCOUNTING PRINCIPLES

EIGHTH CANADIAN EDITION
VOLUME III

Preface

The tradition of *Fundamental Accounting Principles* includes clear explanations of accounting concepts and practices with closely related assignment material. Recent editions also reflect an educational philosophy we call *action learning*. We are firmly convinced that students learn most effectively when their study activities are designed to emphasize active behaviour. The eighth Canadian edition continues this focus on the effective use of student study time.

By providing a wide variety of action-oriented items in the text and in support of the text, we hope to encourage student involvement within the classroom as well as during study outside of class. Newly developed and thoroughly revised assignment materials provide an extensive basis for varied assignments that stimulate interest, promote a sense of accomplishment, show the real-world relevance of the subject matter, and sharpen the analytical and communications abilities of each student. In addition, the study guide and the computerized tutorial give students a number of action-learning opportunities.

The eighth Canadian edition has changed *Fundamental Accounting Principles* in many important ways. Extensive input obtained through surveys, focus groups, reviewers, and personal correspondence has driven the revision plan. Instructors confirm several trends that are affecting the world of accounting. The trends most prevalent in accounting education today include the visual orientation of students, the need for flexibility and innovation in the classroom, new pedagogy, and the impact of technology. The many changes that have been integrated throughout this revision are in response to these trends.

Chapter Opening Scenarios

A scenario at the beginning of each chapter raises questions related to the material covered in the chapter. Later in the chapter, one or more references show how the ideas being explained at that point apply to the company described in the chapter opening. Even before students read a chapter, they realize from the opening scenarios that what they will be learning is useful in solving real problems.



**NEW
FEATURES**

Use of Colour

Conscious, deliberate thought and effort have gone into the use of colour to add more interest and appeal to the book. More importantly, colour is used as a code to aid in learning. **Blue** indicates financial statements and reports that provide accounting information to be used in decision making. The primary documents that accountants generate for themselves as they develop informative statements and reports are **green**. Finally, documents that serve as sources of the data that go into accounting reports are **yellow**.

Progress Checks with Answers

A new feature in this edition is a series of Progress Checks integrated in each chapter. These review questions follow the discussion related to a learning objective. The goal is to have students stop momentarily and reflect on whether they should spend more time studying a given section of the text before moving on. Answers to the Progress Check questions are provided at the end of each chapter.

Excerpts and Assignments from Annual Reports

The financial statements of Imperial Oil Limited and other companies are used throughout as a basis for discussing the different aspects of the financial statements. In this way, the relevance of the discussion to actual decision situations is emphasized. Most chapters also contain one or more assignments relating to the annual report of Geac Computer Corporation Limited.



Using the Information

A new section at the end of each financial chapter reinforces real-world business applications. Most of these sections use real-world examples and many of them relate directly to the company vignettes that open the chapters. A few examples of Using the Information topics are:

- Debt ratio—Chapter 2
- Business segment information—Chapter 6
- Return on total assets—Chapter 12
- Price-earnings ratio—Chapter 16
- Cash flow analyses—Chapter 18

Enhanced Emphasis on Critical Thinking, Analysis, and Communication Skills

The assignment material in the book has been extensively revised. Many assignments have been reoriented to increase the emphasis on critical thinking and communication skills. For example, the requirements for selected problems in each chapter now include a *preparation component* and a separate *Analysis Component*.

The analysis component generally requires students to think about the financial statement consequences of alternative situations. Students learn to consider the

consequences of alternatives and the resulting effects on their interpretation of the results. This complements the more usual preparation component of the end-of-chapter assignments.

Quick Study (Five-Minute Exercises)

Instructors indicate an increasing reliance on shorter problem material for use as in-class illustrations and as homework assignments. Undoubtedly the prospect of solving problems in a short time and the rapid feedback of having done so successfully are motivating factors that lead students to extend their study efforts. Accordingly, this edition contains a new category of very short exercises that are identified as Quick Study. At least one exercise is provided for each learning objective.

Additional Problems

In response to requests for more and varied problem material, we have replaced the alternate problems which previously mirrored the main problems with new, different problems. The traditional alternate problems are available in a separate booklet.

Concept Testers

To encourage additional study of important glossary terms, all chapters conclude the assignment material with a *concept tester* in the form of a short crossword puzzle.

Features about which our adopters have expressed enthusiasm have been retained. These include integrated learning objectives, illustrative diagrams, acetate overlays, “As a Matter of Ethics” cases, “As a Matter of Opinion” interviews, the comprehensive accounting cycle illustration, the summary in terms of learning objectives, chapter glossaries, demonstration problems with solutions and the various forms of problem material including Questions, Exercises, Problems, Provocative Problems, Analytical and Review Problems, the Serial Problem and Comprehensive Review Problems (after Chapters 4, 6, 13, and 22).



FEATURES RETAINED

Expanded Prologue

An important change in this edition is an expanded Prologue that describes the accounting function in the context of other organizational functions such as finance, human resources, research and development, production, marketing, and executive management. The Prologue also explains the work accountants do—including their certifications and the fields within which they work—and the pervasive importance of ethics in accounting. As a separate learning unit, the Prologue emphasizes the overall importance of these topics to the understanding of the role accounting plays in providing information to a variety of decision makers.



CONTENT- SPECIFIC CHANGES

Financial Statement Orientation of Chapter 1

As a result of the Prologue revision, Chapter 1 is now a much shorter and more manageable learning unit with a clear focus on financial statements. This includes

the information contained in the statements, the basic concepts that guide the development and use of accounting information, and the relationship of the statements to the transactions and events in the life of a business. Appendix A following Chapter 1 describes the process by which generally accepted accounting principles are established.

Deletions in Chapters 4 and 5

Reviewers and adopters have overwhelmingly encouraged limiting the early examples in the book to proprietorships. As a result, the discussion of partnerships and corporations has been moved from the body of Chapter 4 to Appendix D following Chapter 4. Corporations are considered in the early chapters only as necessary to support student interaction with the financial statements at the back of the book and to recognize the existence of alternative forms of business organization.

Work sheets are now presented as an *optional* step in the accounting cycle. However, we also describe several reasons why an understanding of work sheets is useful. In addition, a more concise discussion of the adjusting entry method of accounting for inventories has reduced the size of the appendix at the end of Chapter 5.

Discounting Notes Receivable

The revision of Chapter 8 recognizes the fact that an increasing number of companies routinely convert their receivables into cash without waiting to receive customer payments. In dealing with this modern business practice, the discussion of discounting notes receivable has been supplemented with a more general examination of the various ways receivables may be converted into cash.

Topics Related to Inventories

The discussion in Chapter 9 of lower of cost or market has been simplified to avoid the details of considering ceiling and floor limits on market value. The treatment of markups and markdowns has been eliminated from the discussion of the retail inventory method. Reviewers agree that all of these topics are better left to intermediate level courses.

Topics Related to Capital Assets

To help students appreciate the differences between financial accounting and tax accounting, we continue to discuss accelerated amortization. However, the discussion has been condensed to exclude the calculations that underlie the apportioning of accelerated amortization between accounting periods. We also eliminated the discussions of capital asset subsidiary records.

Consolidated Financial Statements

Adopters indicate that the consolidated statements chapter in prior editions was the one they most frequently omitted. Nevertheless, long-term investments are an important financial consideration in evaluating many companies. The answer was to

eliminate the consolidated statements chapter and to develop a more balanced set of asset chapters. As a result, Chapter 12 completes the asset coverage by discussing natural resources, intangible assets, and long-term investments. The long-term investments portion naturally concludes with a discussion of investments in international operations. The appendix on investments in equity securities from the seventh Canadian edition has been eliminated.

Leases and Accounting for Corporate Income Taxes

In Chapter 13, the discussion of leases has been significantly shortened. Students learn the differences between capital and operating leases without having to journalize the entries related to capital leases. However, Appendix H, “Accounting for Corporate Income taxes,” has been retained.

Streamlined Coverage of Partnerships and Corporations

Reviewers suggested that we compress the coverage of partnerships and corporations and eliminate seldom used procedures and material that are best left for more advanced textbooks. In response, we streamlined discussion of material in these chapters and eliminated coverage of obsolete or nonessential material such as participating preferred, par value shares and the appendix on treasury stock.

Segmental Reporting

The illustration and discussion of segmental reporting have been eliminated from Chapter 19. However, a short section at the close of Chapter 6 recognizes that operating in several business segments complicates the design of the accounting system. Then, the use of business segment information by decision makers is briefly discussed.

Expanded Coverage of Activity-Based Costing

The practice of managerial accounting in Canadian industry continues to undergo a wide range of significant changes. Among these, the increasing implementation of activity-based costing systems is particularly noticeable. Accordingly, the introductory coverage of activity-based costing in Chapter 23 has been expanded in this new edition.

To provide instructors flexibility in planning course content, the eighth Canadian edition includes several appendixes. Those that clearly relate to a single chapter are placed at the end of that chapter. Appendixes F, G, H, and I appear at the end of the book.



APPENDIXES AND END-OF- TEXT ITEMS

Comprehensive List of Accounts Used in Exercises and Problems

This list provides students with the large variety of accounts that companies use and that are needed to solve the exercises and problems provided in the text. This list is located at the end of this text.



SUPPLEMENTS

For the Instructor

The support package for *Fundamental Accounting Principles* includes many items to assist the instructor. They include the following:

- *Solutions Manuals*, Volumes I, II, and III, which have more extensive supporting calculations in this edition.
- *Solutions Transparencies*, Volumes I, II, and III, which include all exercises, problems, and comprehensive problems. These transparencies are now printed in boldface in a new, exceptionally large typeface so that visibility from a distance is strikingly improved.
- *Teaching Transparencies*, many of which are now in colour.
- *Powerpoint Slides*, developed by Bruce MacLean of Dalhousie University, which are designed to support teaching the course using a computer, data display, and an overhead projector.
- *Video tapes*, available upon adoption, which reinforce important topics and procedures. They may be used in the classroom or media lab.
- *Instructor's Resource Manual*, prepared by Ray Carroll of Dalhousie University, which includes sample course syllabi, suggested homework assignments, a series of lecture outlines, demonstration problems, suggested points for emphasis, and background material for discussing ethics in accounting.
- *Testbank*, which contains a wide variety of test questions, including true-false, multiple-choice, quantitative, matching, and essay questions of varying levels of difficulty.
- *Computest*, a computerized version of the manual testbank for more efficient use, which is available in Macintosh, Windows, or DOS versions. The extensive features of this test-generator program include random question selection based on the user's specification of learning objectives, type of question, and level of difficulty.
- *Teletest*. By calling a toll-free number, users can specify the content of exams and have laser-printed copies of the exams mailed or faxed to them.
- *SPATS (Spreadsheet Applications Template Software)*, prepared by Jack Terry and Christopher L. Polselli, C.A., which includes Lotus 1-2-3 (or the equivalent) templates for selected problems and exercises from the text. The templates gradually become more complex, requiring students to build a variety of formulas. What-if questions are added to show the power of spreadsheets and a simple tutorial is included. Instructors may request a free master template for students to use or copy, or students can buy shrinkwrapped versions at a nominal fee. Both DOS and Windows versions are available.
- *Tutorial Software*, prepared by Leland Mansuetti, Keith Weidkamp, and J. Russell Curtis of the British Columbia Institute of Technology. Multiple-choice, true-false, journal entry review and glossary review questions are randomly accessed by students. Explanations of right and wrong answers are provided and scores are tallied. Instructors may request a free master template for students to use or copy, or students can buy shrinkwrapped versions for a nominal fee. Both DOS and Windows versions are available.
- *Solutions Manual to accompany the practice sets* will include detailed solutions to all of the practice sets accompanying the text.

For the Student

In addition to the text, the package of support items for the student includes the following:

- *Working Papers*, Volumes I, II, and III, which include working papers for the exercises, problems, serial problem, and comprehensive problems.
- The *Study Guide*, Volumes I, II, and III, which provides a basis for independent study and review and has been expanded to include multiple-choice and true/false questions as well as several additional problems with solutions for each chapter and appendix.
- *Check Figures* for the problems.
- *Barns Bluff Camping Equipment*, by Barrie Yackness of the British Columbia Institute of Technology and Terrie Kroshus. A manual, single proprietorship practice set with business papers that may be assigned after Chapter 7. This practice set is also available in an Alternate Edition prepared by Tilly Jensen of the Northern Alberta Institute of Technology.
- *Student's Name Book Centre*, by Harvey C. Freedman of Humber College of Applied Arts and Technology. A manual, single proprietorship practice set covering a one-month accounting cycle. The set includes business papers and can be assigned after Chapter 7. This practice set is also available in an Alternate Edition.
- *K.J.C. Manufacturing Company*, by Barrie Yackness and Sylvia Ong. A manual practice set with a narrative of transactions for a manufacturing corporation. This may be assigned after Chapter 20.

We are grateful for the encouragement, suggestions, reviews, and counsel provided by students, colleagues, and instructors from across the country. A tremendous amount of useful information was gathered from over 300 responses to an Introductory Accounting Survey organized by the publisher. Although the identities of the respondents were anonymous to the authors, we learned a great deal from you and appreciate the detail you provided.

Many of the improvements in the Eighth Canadian Edition were based on the input from the reviewers of the seventh edition and the manuscript for the eighth edition. We want to thank this important group of people for their contributions to this edition. They include:

Peter McNeil, C.A.
Camosun College

Donna P. Grace
Sheridan College

Terry Fegarty
Seneca College of Applied
Arts and Technology

Barrie Yackness
British Columbia Institute of
Technology

Paul Molgat
Red Deer College

Tilly Jensen
Northern Alberta Institute of
Technology

Gregg Tranter
Southern Alberta Institute of
Technology

Sheila Simpson
Humber College of Applied Arts
and Technology

ACKNOWLEDGMENTS

We also want to recognize the contribution of Robert Nichols of the British Columbia Institute of Technology who prepared the update of the payroll liabilities chapter and solutions for this edition.

Last but not least, we gratefully acknowledge the contribution from students, faculty members, and secretarial staff at the University of Windsor, Wilfrid Laurier University, and Dalhousie University. Special thanks go to Sharon Roth and Sandra J. Berlasty at the University of Windsor, Allan Russell at Wilfrid Laurier University, and Helen Cruickshanks and Carmen Tam at Dalhousie University.

Kermit D. Larson

Morton Nelson

Michael Zin

Ray Carroll

To the Student

Fundamental Accounting Principles is designed to get you actively involved in the learning process so you will learn quickly and more thoroughly. The more time you spend expressing what you are learning, the more effectively you will learn. In accounting, you do this primarily by answering questions and solving problems. But this is not the only way to learn. You also can express your ideas by using the book's wide margins for taking notes, summarizing a phrase, or writing down a question that remains unanswered in your mind. Ideas that pop into your head can lead to fruitful exploration. These notes will assist in your later review of the material, and the simple process of writing them will help you learn.

To guide your study, *learning objectives* are listed near the beginning of each chapter. Read these objectives to form some expectations about what you will learn from studying the chapter. Think of them as your goals while you study. Each learning objective is repeated in the margin at the point the chapter begins to provide material related to that objective. You will find each objective repeated at the end of each chapter in the summary. The exercises and problem assignments following each chapter also are coded to these objectives.

As you progress in your study of each chapter, you will periodically encounter Progress Check questions relating to the material you have just studied. Answer the questions and compare your answers with the correct answers at the end of each chapter. If you are not able to answer the questions correctly, review the preceding section of the chapter before going on.

Several features of the text emphasize the real-world usefulness of the material in the book. For example, the *opening paragraphs* of each chapter raise questions about a real business. As you progress through the chapter, keep a sharp eye out for points in the discussion that apply to the scenario in the opening paragraphs. You will find brief inserts entitled "*As a Matter of Opinion*" in which business and community leaders tell how they use accounting in making decisions.

The use of colour in the book has been carefully planned to facilitate your learning. For example, the financial statements and reports that accounting provides as information to be used in decision making are blue. The primary documents that accountants generate for their own use as they develop informative statements and reports are green. Documents that serve as sources of the data that go into an accounting system are yellow.

As you read the text, you will learn many important new terms. These key terms are printed in black boldface the first time they appear, and they are listed again in a *glossary* after each chapter. In addition, you can find these key terms in the index at the end of the book. As a reinforcement to learning, but also as a light break from regular study, all chapters close with a *crossword puzzle* that involves some of the glossary terms.

Computer technology is changing the way businesses operate and will continue to be a driving force in the twenty-first century. To reflect this change and to give you practice with software, some of the assignments in the book are preloaded on a set of computer templates called *SPATS*. These assignments are identified with the following logo:



Ask your instructor or check your school's bookstore for information about other supplemental items that are available to assist your study. The *tutorial software* contains multiple-choice, true/false, journal entry review, and glossary review questions to help you prepare for exams. The *study guide* reviews learning objectives and provides practice problems for each chapter. *Working papers* provide familiarity with the actual framework used in creating accounting information.

Accounting can be an informative, relevant, and engaging field of inquiry. *Fundamental Accounting Principles* offers many tools to lead you into an understanding of the importance of accounting. Read, discuss, and enjoy! What you learn in this course will be useful in your personal and professional affairs for the rest of your life.

An Introduction to Managerial Accounting and Cost Accounting Concepts



Financial accounting information is useful for investors and creditors outside a company, but managers need information that is not presented in the financial statements. Unlike financial accounting information, managerial accounting information is kept inside the company and is not usually available to the public.

Jane Stone graduated from the University of Toronto and spent three years with a national accounting firm in Kitchener before accepting a position as manager of special projects with Distinctive Stain Canada. Her newly created job was to assist company managers with financial analysis. During Stone's first week, she met with managers in marketing, sales, purchasing, and manufacturing. Purchasing wanted help in setting criteria for selecting vendors. Manufacturing wanted help deciding between two different machine purchases. Marketing needed to understand the financial implications of a new promotion plan before committing to the advertising. The sales manager wanted to redesign the sales compensation plan to focus on key targets in marketing's new promotion plan.

Stone took notes, asked questions, and went back to her new office. She reviewed the financial statements and internal monthly reports for the past six months. Nowhere did she see the information she needed. Discouraged, she went to John Dickson, the controller, and presented a summary of the requests. "I don't know where to start. I thought I knew all about accounting, but the answers aren't in the data we are gathering for our accounting records. Where do I start?" Dickson simply smiled. "Welcome to the world of management accounting. The first thing to recognize is that you are looking at new alternatives, so looking at data about the past doesn't help much. It may be a beginning, but in most cases you have to look outside the accounting system for your answers. Decide what you want to know and then gather the information from whatever sources are available. Come back when you have a list of questions for your first project and I will steer you in the right direction. You will learn a lot about operations before your projects are complete."

Stone returned to her office determined to understand operations. It was obvious that knowing how accounting worked was only the beginning. "Well," she thought, "I won't be spending a lot of time sitting in my office for the next few months."

Contents in Brief

- | | | | |
|------------|--|------------|---|
| Chapter 20 | An Introduction to Managerial Accounting and Cost Accounting Concepts 891 | Chapter 26 | Flexible Budgets and Standard Costs 1175 |
| Chapter 21 | New Production Management Concepts and Job Order Cost Accounting Systems 943 | Chapter 27 | Capital Budgeting and Other Managerial Decisions 1221 |
| Chapter 22 | Process Cost Accounting 989 | | Appendix F: Present and Future Values: An Expansion AP-1 |
| Chapter 23 | Cost Allocation and Activity-Based Costing 1035 | | Appendix I: Financial Statements and Related Disclosures from Geac Computer Corporation Limited's 1994 Annual Report AP-15 |
| Chapter 24 | Cost-Volume-Profit Analysis 1089 | | Comprehensive List of Accounts LA-1 |
| Chapter 25 | The Master Budget: A Formal Plan for the Business 1131 | | Index IN-1 |

Contents

20 An Introduction to Managerial Accounting and Cost Accounting Concepts 891

Introduction to Managerial Accounting 892

Differences between Financial and Managerial Accounting 893

Comparing Merchandising and Manufacturing Activities 897

Financial Statements for a Manufacturing Company 897

The Balance Sheet 897

The Income Statement 899

The Difference between Period and Product Costs 900

Manufacturing Activities and the Manufacturing Statement 901

Manufacturing Activities that Relate to Inventories 901

The Manufacturing Statement 904

Accounting for Manufacturing Activities with a General Accounting System 906

Accounts Unique to a General Accounting System 906

Journal Entries under a General Accounting System 909

Beginning Balances 910

Phase 1—Recording the Period's Manufacturing Activities 910

Phase 2—Closing the Temporary Manufacturing Accounts 911

Phase 3—Recording the Ending Balances of the Manufacturing Inventory Accounts 913

Phase 4—Closing the Manufacturing Summary Account and Updating the Finished Goods Inventory Account 913

Reporting Overhead Costs to Managers and to External Parties 915

Inventory Valuation Problems under a General Accounting System 916

Estimating Direct Material and Direct Labour Costs in the Ending Inventories 917

Estimating Factory Overhead Cost in the Ending Inventories 917

Summary of the Chapter in Terms of Learning Objectives 919

Demonstration Problem 920

Glossary 922

Synonymous Terms 922

Questions 922

Quick Study 923

Exercises 924

Problems 930

Provocative Problems 937

Analytical and Review Problems 939

Concept Tester 940

21 New Production Management Concepts and Job Order Cost Accounting Systems 943

- New Production Management Concepts 944
 - Customer Orientation* 945
 - Total Quality Management* 945
 - Just-in-Time Manufacturing* 946
 - Theory of Constraints* 947
 - Continuous Improvement* 948
- Production Management and Cost Accounting 949
- Characteristics of Job Order Manufacturing Operations 949
- Sequence of Events in a Job Order Manufacturing Operation 950
- Job Order Operations of Service Companies 951
- Job Order Cost Accounting 951
- Materials Cost Flows and Related Documents 953
- Labour Cost Flows and Related Documents 955
- Overhead Cost Flows and Related Documents 956
- Summary of All Manufacturing Cost Flows During the Period 959
- The Manufacturing Statement 961
- Adjusting for Underapplied and Overapplied Factory Overhead 962
 - Underapplied Overhead* 962
 - Overapplied Overhead* 964
 - Underapplied and Overapplied Amounts that Are Not Material* 964
- Summary of the Chapter in Terms of Learning Objectives 965
- Demonstration Problem 966
 - Glossary* 969
 - Synonymous Terms* 970
 - Questions* 970
 - Quick Study* 971
 - Exercises* 972
 - Problems* 975
 - Provocative Problems* 984
 - Analytical and Review Problems* 985
 - Concept Tester* 987

22 Process Cost Accounting 989

- Process Manufacturing Operations 990
 - Comparing Process and Job Order Manufacturing Operations* 991

- Organization of Process Manufacturing Operations* 991
- Process Cost Accounting Systems for Service Companies* 992
- Delta Processing Company—A Comprehensive Case* 992
- Accumulating the Costs of Each Manufacturing Process 995
- Direct and Indirect Costs in Process Cost Accounting* 995
- Accounting for Materials Costs* 995
- Accounting for Labour Costs* 997
- Accounting for Factory Overhead* 998
- Calculating and Using Equivalent Units of Production 1000
 - Accounting for Beginning and Ending Goods in Process Inventories* 1000
 - Equivalent Units for Materials May Not Be the Same as for Direct Labour and Overhead* 1000
- Accounting for Delta Processing Company's Grinding Department 1001
 - Equivalent Units of Production and Cost per Unit—Direct Materials* 1002
 - Equivalent Units of Production and Cost per Unit—Direct Labour* 1002
 - Equivalent Units of Production and Cost per Unit—Overhead* 1004
- Process Cost Summary—Grinding Department* 1004
 - Transferring Goods between Departments* 1006
- Accounting for Delta Processing Company's Mixing Department 1007
 - Equivalent Units of Production—Mixing Department* 1007
- Process Cost Summary—Mixing Department* 1007
- Transferring Costs to Finished Goods Inventory and to Cost of Goods Sold 1009
- Summary of Delta Processing Company's Manufacturing Cost Flows* 1010
- New Production Management Concepts and Process Manufacturing Systems 1010
- Summary of the Chapter in Terms of Learning Objectives 1012
- Demonstration Problem 1013
 - Glossary* 1017
 - Synonymous Terms* 1017
 - Questions* 1017
 - Quick Study* 1017
 - Exercises* 1018
 - Problems* 1023
 - Provocative Problems* 1029
 - Analytical and Review Problems* 1030
 - Concept Tester* 1032