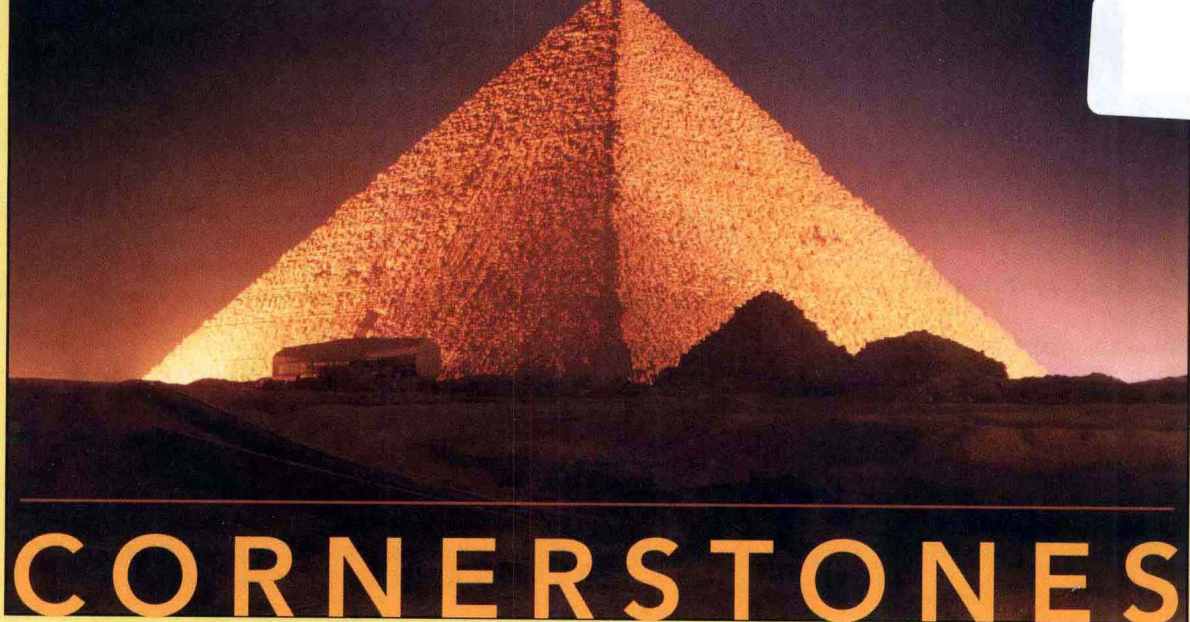

CORNERSTONES *of* Financial Accounting

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of Financial Accounting

Current Trends Update

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The **Concept** section links the "Cornerstone" to fundamental underlying accounting concepts such as the matching principle here.

The **Information** portion of each "Cornerstone" provides the necessary data to arrive at a solution.

The **Required** section of each exhibit provides you with each step that must be solved.

The **Solution** ends each "Cornerstone," showing the calculations for each of the required steps in the problem. This helps you understand the necessary concepts.

HOW TO Compute Depreciation Expense Using the Declining Balance Method

Concept:

As the service potential of a fixed asset declines, the cost of the asset is allocated as an expense among the accounting periods in which the asset is used and benefits are received (the matching principle).

Information:

On January 1, 2009, Morgan, Inc. acquired a machine for \$50,000. Morgan expects the machine to be worth \$5,000 at the end of its five-year useful life. Morgan uses the double-declining-balance method of depreciation.

Required:

1. Compute the double-declining-balance rate of depreciation for the machine.
2. Prepare a depreciation schedule that shows the amount of depreciation expense for each year of the machine's life.
3. Prepare the journal entry required to record depreciation expense in 2009.

Solution:

1. The double-declining-balance rate of depreciation (40 percent) equals twice the straight-line rate of depreciation and is calculated as follows:

$$\frac{1}{\text{Useful Life}} \times 2 = \frac{1}{5} \times 2 = \frac{2}{5} \text{ or } 40\%$$



CORNERSTONE
7-3



Each "Cornerstone" has an online video offering a step-by-step presentation of the **Concept**, **Information**, **Required**, and **Solution** sections.

Cornerstone Exercises

Cornerstone Exercise 7-15 COST OF A FIXED ASSET

Borges, Inc. recently purchased land to use for the construction of its new manufacturing facility and incurred the following costs: purchase price, \$80,000; real estate commissions, \$4,800; delinquent property taxes, \$1,500; closing costs, \$3,300 clearing and grading of the land, \$8,100.

Required:

Determine the cost of the land.

OBJECTIVE > 2
CORNERSTONE 7-1

End-of-Chapter Cornerstone Exercises

are often linked to specific "Cornerstone" features, providing a valuable reference as you complete homework. Because the Cornerstone Exercises are so closely linked to the in-chapter "Cornerstones," you quickly become an independent learner!

Beginning in 2006, South-Western began researching how accounting students use and read their textbooks. We personally interviewed hundreds of students.

Our Conclusions

- The primary driver of success in accounting is **homework**.
- Students believe a textbook helps them succeed, but they are using books differently than the previous generation.
- Students use books as a **source of examples** and descriptions to help them complete homework. They may "skim" the text before or after class, but very few read the text from beginning to end.



As a result of this research, *Cornerstones* was fine-tuned to provide you with greater **efficiency** and more **relevance**, promising **better results**. *Cornerstones* provides you with the confidence to be more independent, allowing you more time to learn additional concepts.

"I have recently tried the problems in *Cornerstones* and found that the step-by-step examples that are placed within the text helped extremely...I compared the chapters in *Cornerstones* to our textbook and felt that *Cornerstones* was much easier to understand by just reading the chapter."

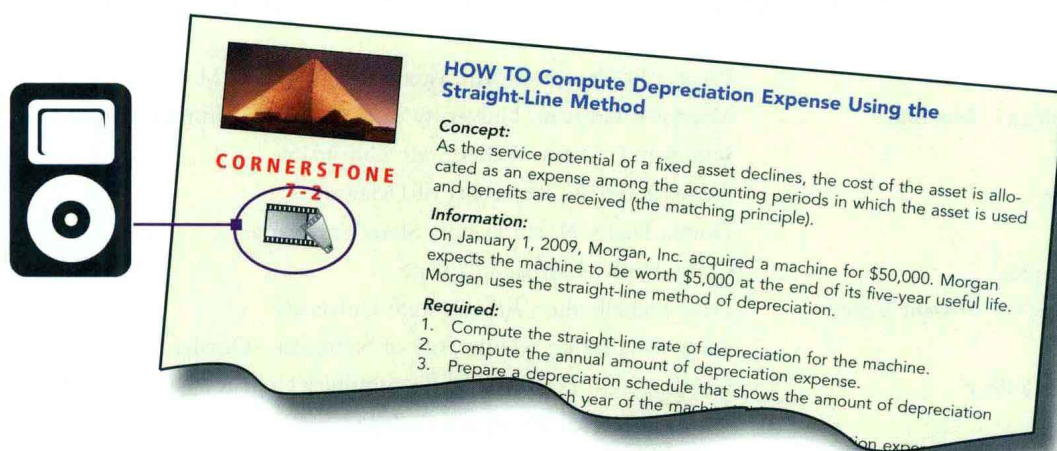
—Katie Hogan, Student at University of Cincinnati

The **Cornerstones Learning System** is based on how students learn accounting today. This system incorporates the following key features:

- The actual "Cornerstones" within the chapters – unique to this family of texts!
- The "Cornerstones" references within the end-of-chapter Cornerstones Exercises.
- The summary of "Cornerstones" at the end of each chapter with page references.
- Online reinforcement of "Cornerstones" concepts with videos and demonstrations.

Cornerstones Videos

Each “Cornerstone” in the book is accompanied by a short video clip that you may view online or download onto your portable video player. The clips provide clear, step-by-step examples that are consistently presented for today’s visual learners. They walk you through each step of every “Cornerstone.”



70% of instructors who reviewed these videos indicated they would recommend or require students to use them.

80% of students surveyed wanted access to video presentations to help explain the concepts.

To view the Cornerstone Videos, visit the Cornerstones Companion Website at

www.cengage.com/accounting/rich/videos

and enter the following password: **richfinancial**

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—Professor Ron Lazer, University of Houston

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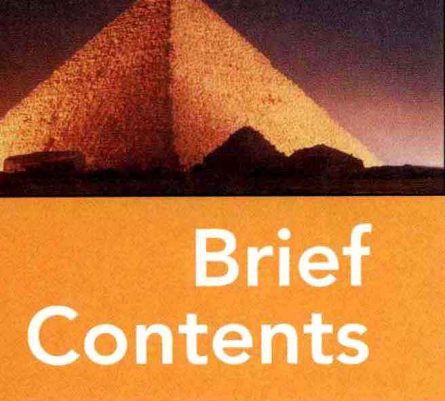
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