To: Herman and Doris Hargenrater
    Oscar and Selma Libby
    Laura Libby and Brian Plummer
    Abby, Grace, and Claire Hodge

For more than 30 years, Dan Short has been an exceptional teacher, administrator, and textbook author. We have worked with Dan on *Financial Accounting* for more than 20 years. Over that period, he has been our mentor, trusted advisor, and coauthor. In fact, without Dan, we would never have completed our first edition. Dan is a truly gifted writer, has a great sense of humor, and we are proud to call him our friend. We wish Dan a well-earned and joyous retirement.

FINANCIAL ACCOUNTING, NINTH EDITION

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Robert Libby is the David A. Thomas Professor of Accounting and Accounting Area Coordinator at Cornell University, where he teaches the introductory financial accounting course. He previously taught at the University of Illinois, Pennsylvania State University, the University of Texas at Austin, the University of Chicago, and the University of Michigan. He received his BS from Pennsylvania State University and his MAS and PhD from the University of Illinois; he also successfully completed the CPA exam (Illinois).

Bob was selected as the AAA Outstanding Educator in 2000 and received the AAA Outstanding Service Award in 2006 and the AAA Notable Contributions to the Literature Award in 1985 and 1996. He has received the Core Faculty Teaching Award multiple times at Cornell. Bob is a widely published author and researcher specializing in behavioral accounting. He has published numerous articles in The Accounting Review; Journal of Accounting Research; Accounting, Organizations, and Society; and other accounting journals. He has held a variety of offices, including vice president, in the American Accounting Association, and he is a member of the American Institute of CPAs and the editorial boards of The Accounting Review and Accounting, Organizations, and Society.

PATRICIA A. LIBBY

Patricia Libby is associate professor of accounting at Ithaca College, where she teaches the undergraduate financial accounting course. She previously taught graduate and undergraduate financial accounting at Eastern Michigan University and the University of Texas. Before entering academia, she was an auditor with Price Waterhouse (now PricewaterhouseCoopers) and a financial administrator at the University of Chicago. She is also faculty advisor to Beta Alpha Psi and Ithaca College Accounting Association. She received her BS from Pennsylvania State University, her MBA from DePaul University, and her PhD from the University of Michigan; she also successfully completed the CPA exam (Illinois).

Pat conducts research on using cases in the introductory course and other parts of the accounting curriculum. She has published articles in The Accounting Review, Issues in Accounting Education, and The Michigan CPA.

FRANK HODGE

Frank Hodge is the chair of the Accounting Department and the Harrington Family Endowed Professor at the University of Washington's Foster School of Business. Frank also serves in the President's Office as the University of Washington's Faculty Athletics Representative to the PAC-12 Conference and the National Collegiate Athletic Association.

Frank joined the faculty at the University of Washington in 2000. He earned his MBA and PhD degrees from Indiana University. Frank teaches financial accounting and financial statement analysis to undergraduate students, full-time MBA students, executive MBA students, and intercollegiate athletic administrators. Frank's research focuses on how individuals use accounting information to make investment decisions and how technology influences their information choices. Frank was one of six members of the Financial Accounting Standards Research Initiative team and has presented his research at the Securities and Exchange Commission. Frank is on the editorial boards of The Accounting Review; Contemporary Accounting Research; and Accounting, Behavior and Organizations. He also has published articles in The Accounting Review; Contemporary Accounting Research; Accounting, Organizations, and Society; Accounting Horizons; and several other journals. Frank lives in Seattle with his wife and two daughters.
New author Frank Hodge joins the award-winning author team of Bob Libby and Pat Libby to continue *Financial Accounting*’s best-selling tradition of helping the instructor and student become partners in learning. Libby/Libby/Hodge uses a remarkable learning approach that keeps students engaged and involved in the material from the first day of class.

Libby/Libby/Hodge’s *Financial Accounting* maintains its leadership by focusing on three key attributes:

**THE PIONEERING FOCUS COMPANY APPROACH**

The Libby/Libby/Hodge authors’ trademark focus company approach is the best method for helping students understand financial statements and the real-world implications of financial accounting for future managers. *This approach shows that accounting is relevant and motivates students by explaining accounting in a real-world context.* Throughout each chapter, the material is integrated around a familiar focus company, its decisions, and its financial statements. This provides the perfect setting for discussing the importance of accounting and how businesses use accounting information.

**A BUILDING-BLOCK APPROACH TO TEACHING TRANSACTION ANALYSIS**

Faculty agree the accounting cycle is the most critical concept to learn and master for students studying financial accounting. Libby/Libby/Hodge believes students struggle with the accounting cycle when transaction analysis is covered in one chapter. If students are exposed to the accounting equation, journal entries, and T-accounts for both balance sheet and income statement accounts in a single chapter, many are left behind and are unable to grasp material in the next chapter, which typically covers adjustments and financial statement preparation.

“The book does an excellent job of using real-world examples to highlight the importance of understanding financial accounting to students who may or may not be interested in pursuing accounting careers. I think this book will hold students’ attention, without sacrificing the technical information that provides the foundation for further accounting coursework. **Exceptionally well-written and nicely organized.**”

—Paul Hribar, University of Iowa

The market-leading Libby/Libby/Hodge approach spreads transaction analysis coverage over two chapters so that students have the time to master the material. In Chapter 2 of *Financial Accounting*, students are exposed to the accounting equation and transaction analysis for investing and financing transactions that affect only balance sheet accounts. This
provides students with the opportunity to learn the basic structure and tools used in accounting in a simpler setting. In Chapter 3, students are exposed to more complex operating transactions that also affect income statement accounts. By slowing down the introduction of transactions and giving students time to practice and gain mastery, this building-block approach leads to greater student success in their study of later topics in financial accounting such as adjusting entries. After the students have developed an understanding of the complete accounting cycle and the resulting statements, Chapter 5 takes students through the corporate reporting and analysis process.

This graphic shows a detailed comparison of the Libby/Libby/Hodge approach to the accounting cycle chapters compared to the approach taken by other financial accounting texts.

The authors’ approach to introducing the accounting cycle has been tested in peer-reviewed, published research studies. One of these award-winning studies has shown that the accounting cycle approach used in this textbook yields learning gains that outpace approaches used in other textbooks by a significant margin.

**POWERFUL TECHNOLOGY FOR TEACHING AND STUDY**

Students have different learning styles and conflicting time commitments, so they want technology tools that will help them study more efficiently and effectively. The ninth edition includes the best technology available with Connect’s latest features—SmartBook, Connect Insight, and new study, practice, and assessment materials.

“[Libby, Libby, Hodge] does a great job explaining financial accounting concepts to college students on an introductory level.”

—Peggy O’Kelly, Northeastern University

“The text has some of the best discussions that I have seen in introductory texts of statement of cash flows and financial statement analysis topics.”

—Marilyn Misch, Pepperdine University
Financial Accounting, 9e, offers a host of pedagogical tools that complement the different ways you like to teach and the ways your students like to learn. Some offer information and tips that help you present a complex subject; others highlight issues relevant to what your students read online or see on television. Either way, Financial Accounting’s pedagogical support will make a real difference in your course and in your students’ learning.

**FINANCIAL ANALYSIS**

Interpreting Assets, Liabilities, and Stockholders’ Equity on the Balance Sheet

Assessment of Le-Nature’s assets was important to its creditors, Wells Fargo Bank and others, and its resources.

**A QUESTION OF ETHICS**

Ethics and the Need for Internal Control

Some people are bothered by the recommendation that all well-run companies should have strong internal control procedures (companies that do not have procedures). If a company does not have internal control procedures, it is subject to fraud or theft, which can cause significant damage to a company.

**KEY RATIO ANALYSIS**

Net Profit Margin

The ability to pay current liabilities is a measure of the company’s ability to meet its current obligations. A number of financial measures are useful in evaluating liquidity, including the current ratio (introduced in Chapter 2) and the dollar amount of cash for the $18. million its balance sheet claimed for cash turned out to be $1.8 million and the company had written checks totaling $2.9 million against that balance.

**FOCUS ON CASH FLOWS**

Working Capital and Cash Flows

Many working capital accounts have a direct relationship to income-producing activities. Accounts receivable, for example, are funds received from customers for current sales. A cash outflow occurs when the account is paid. Changes in working capital accounts are also important to managers and analysts because they indicate how the business is using its working capital resources.

**INTERNATIONAL PERSPECTIVE**

The International Accounting Standards Board and Global Convergence of Accounting Standards

Financial accounting standards and disclosure requirements are adopted by national regulatory agencies. Since 2002, there has been substantial movement toward the adoption of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). Examples of jurisdictions requiring the use of IFRS currently include:

**FINANCIAL ANALYSIS BOXES**—These features tie important chapter concepts to real-world decision-making examples. They also highlight alternative viewpoints and add to the critical-thinking and decision-making focus of the text.

**A QUESTION OF ETHICS BOXES**—These boxes appear throughout the text, conveying the importance and the consequences of acting responsibly in business practice.

“Excellent book with very good and clear writing, coverage, illustrations and overall very student friendly.”

—Kashi Balachandran, New York University
AND CONTENT

FOCUS ON CASH FLOWS BOXES—Each of the first eleven chapters includes a discussion and analysis of changes in the cash flows of the focus company and explores the decisions that caused those changes.

KEY RATIO ANALYSIS BOXES—Each box presents ratio analysis for the focus company in the chapter as well as for comparative companies. Cautions are also provided to help students understand the limitations of certain ratios.

INTERNATIONAL PERSPECTIVE BOXES—These boxes highlight the emergence of global accounting standards (IFRS) at a level appropriate for the introductory student.

“The textbook focuses on the key accounting concepts and is written clearly so that it is easy for students to understand.”
—Rada Brooks, University of California Berkeley, Haas School of Business

“The real-life examples are an excellent way to draw in the student and I thought that the ethics components and IFRS components were an excellent addition.”
—Tammy Metzke, Milwaukee Area Technical College

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Balance Sheet

The ending balances for Common Stock, Additional Paid-in Capital, and Retained Earnings from the statement of stockholders' equity are included on the balance sheet that follows. You will notice that the contra-asset account, Accumulated Depreciation (used cost), has been subtracted from the total of the land, buildings, and equipment accounts (at cost) to reflect net book value (or carrying value) at month-end for balance sheet purposes. Also recall that assets are listed in order of liquidity, and liabilities are listed in order of due dates. Current assets are those used or turned into cash within one year (as well as inventory). Current liabilities are obligations to be paid with current assets within one year. We present the balances at the end of 2014 and the balances at the end of the first quarter of 2015.

CHIPO TLE MEXICAN GRILL, INC.

Consolidated Statement of Stockholders’ Equity

For the quarter ended March 31, 2015

(in thousands of dollars)

<table>
<thead>
<tr>
<th>Common Stock</th>
<th>Additional Paid-in Capital</th>
<th>Retained Earnings</th>
<th>Total Stockholders’ Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2,012,400</td>
<td>3,700</td>
<td>122,600</td>
<td>$2,135,700</td>
</tr>
<tr>
<td>$1,721,800</td>
<td>122,600</td>
<td>(3,000)</td>
<td>$1,841,400</td>
</tr>
</tbody>
</table>

From transaction (a) in Ch. 2
From the income statement
From transaction (f) in Ch. 2
On the balance sheet

As presented in the previous chapters, the statement of cash flows explains the difference between the ending and beginning balances in the Cash account on the balance sheet during the accounting period. Put simply, the cash flow statement is a categorized list of all transactions of the period that affected the Cash account. The three categories are operating, investing, and financing activities. Since no adjustments made in this chapter affected cash, the cash flow categories identified on the Cash T-account at the end of Chapter 3 remain the same.

Many standard financial analysis texts warn analysts to look for unusual deferrals and accruals when they attempt to predict future periods' earnings. They often suggest that wide disparities between net income and cash flow from operations are a useful warning sign. For example, Subramanyan suggests the following:

Accounting accruals determining net income rely on estimates, deferrals, allocations, and valuations. These considerations sometimes allow more subjectivity than do the factors determining cash flows. For this reason we often relate cash flows from operations to net income in assessing its quality.
Inventory should include all items owned that are held for resale. Costs flow into inventory when goods are purchased or manufactured. They flow out (as an expense) when they are sold or disposed of. The cost of goods sold equation describes these flows.

**SELF-STUDY QUIZ**

1. Assume the following facts for Harley-Davidson’s Motorclothes leather baseball jacket product line for the year 2016.
   - **Beginning inventory:** 400 units at unit cost of $75.
   - **Purchases:** 600 units at unit cost of $75.
   - **Sales:** 700 units at a sales price of $100 (cost per unit $75).

   Using the cost of goods sold equation, compute the dollar amount of goods available for sale, ending inventory, and cost of goods sold of leather baseball jackets for the period.

   \[
   \text{Beginning inventory} + \text{Purchases of merchandise during the year} - \text{Ending inventory} = \text{Cost of goods sold}
   \]

   **Solution:**
   - **Beginning inventory:** $30,000
   - **Purchases:** $45,000
   - **Ending inventory:** $22,500
   - **Cost of goods sold:** $52,500

2. Assume the following facts for Harley-Davidson’s Motorclothes leather baseball jacket product line for the year 2017.
   - **Beginning inventory:** 300 units at unit cost of $75.
   - **Ending inventory:** 600 units at unit cost of $75.
   - **Sales:** 1,100 units at a sales price of $100 (cost per unit $75).

   Using the cost of goods sold equation, compute the dollar amount of purchases of leather baseball jackets for the period. Remember that if three of these four values are known, the cost of goods sold equation can be used to solve for the fourth value.

   \[
   \text{Beginning inventory} + \text{Purchases of merchandise during the year} - \text{Ending inventory} = \text{Cost of goods sold}
   \]

   **Solution:**
   - **Ending inventory:** $22,500
   - **Beginning inventory:** $22,500
   - **Cost of goods sold:** $75,000
   - **Purchases:** $105,000

GUIDED HELP

Today’s students have a wide variety of time commitments. And research shows that when they have difficulty understanding a key concept, they benefit most when help is available immediately. Our unique Guided Help feature provides a narrated, animated, step-by-step walk-through of select topics covered in the Self-Study Quiz that students can view at any time through their mobile device or online. It also saves office hour time!
CHAPTER TAKE-AWAYS

End-of-chapter summaries complement the learning objectives outlined at the beginning of the chapter.

COMPREHENSIVE PROBLEMS

Selected chapters include problems that cover topics from earlier chapters to refresh, reinforce, and build an integrative understanding of the course material.

COMP-1

Complete the requirements for each of the following independent cases:

Case A. Dr Pepper Snapple Group, Inc. is a leading integrated brand owner, bottler, and distributor of nonalcoholic beverages in the United States, Canada, and Mexico. Key brands include Dr Pepper, Snapple, 7-Up, Mott’s juices, A&W root beer, Canada Dry ginger ale, Schweppes ginger ale, and Hawaiian Punch, among others.

The following represents selected data from recent financial statements of Dr Pepper Snapple Group (dollars in millions):

<table>
<thead>
<tr>
<th>DR PEPPER SNAPPLE GROUP, INC.</th>
<th>Consolidated Balance Sheets (partial)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>December 31, 2014</td>
</tr>
<tr>
<td>Assets</td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$237</td>
</tr>
<tr>
<td>Accounts receivable (net of allowances of $2 and $3, respectively)</td>
<td>61</td>
</tr>
</tbody>
</table>

|                         |             |                 |
| Consolidated Statements of Income (partial) | For the Year Ended December 31 |
| (in millions)           | 2014        | 2013            | 2012 |
| Net sales               | $6,121      | $5,997          | $5,995 |
| Net income              | $ 703       | $ 624           | $ 629  |
CHAPTER 1

Financial Statements for a New Business Plan

Penny Cassidy is considering forming her own pool service and supply company, Penny’s Pool Service & Supply, Inc. (PPSS). She has decided to incorporate the business to limit her legal liability. Penny Cassidy is considering forming her own pool service and supply company, Penny’s Pool Service & Supply, Inc., and its largest supplier, Pool Corporation, Inc. In the first five chapters, the continuing case follows the establishment, operations, and financial reporting for Penny’s. In Chapter 5, Pool Corporation, a real publicly traded corporation, is also introduced in more detail. The Pool Corporation example is then extended to encompass each new topic in the remaining chapters.

"This is an excellent book that can be used for both an introductory course as well as an MBA class. The book has a simple, conversational and easy-to-understand writing style. The book is also very well organized and has a lot of end-of-chapter material. This is one of the best financial accounting books that I have come across. It is a must for a financial accounting course."

—Syed Hasan, George Mason University
WHAT’S NEW IN THE 9th EDITION?

In response to feedback and guidance from numerous financial accounting faculty, the authors have made many important changes to the ninth edition of *Financial Accounting*, including the following:

- Integrated **new focus companies** including Amazon, the world’s largest Internet retailer; Whole Foods Market, a supermarket chain specializing in organic food; and Graham Holdings Company, a company that expands primarily through investing in other companies, including Kaplan, Inc.
- **Detailed edit of Chapters 9, 10, and 11** to use consistent terminology throughout each chapter and more closely link content to other chapters.
- **Expanded the number of Guided Help features** in the text to provide more of these narrated, animated, step-by-step examinations of select topics in the Self-Study Quizzes in each chapter.
- **Reviewed, updated, and introduced new end-of-chapter material in each chapter to support new topics and learning objectives.** In addition, other **new McGraw-Hill Connect® problem formats** include General Ledger Problems that auto-post from journal entries to T-accounts to trial balances, Excel Simulations, and Interactive Presentations.
- **Added new Annual Report Cases that can be auto-graded in Connect.** In addition, the Cases and Projects content from the book is also now available in Connect as either auto-graded or manually graded questions.

**Chapter 1**

**Focus Company: Le-Nature’s Inc.**

- Chapter 1 is written around a recent accounting fraud that is exciting, yet simple. Students are introduced to the structure, content, and use of the four basic financial statements through the story of two brothers who founded Le-Nature’s Inc., a natural beverage company. Le-Nature’s financial statements are used to support increases in borrowing for expansion. When actual sales do not live up to expectations, the brothers turn to financial statement fraud to cover up their failure, which emphasizes the importance of controls, responsible ethical conduct, and accurate financial reporting.
- **GUIDED HELP** feature provides all users of the text with free access to step-by-step video instruction on preparing a simple balance sheet, income statement, and statement of stockholders’ equity for LaCrosse Footwear, a leading outdoor footwear company.
- More algorithmic exercises included in Connect®.

- **New CONTINUING PROBLEM** added to the end-of-chapter problems based on the activities of Penny’s Pool Service & Supply and its supplier, Pool Corporation. These companies provide a consistent context for summarizing the key points emphasized in each chapter. In Chapter 1, students prepare a basic income statement, statement of stockholders’ equity, and balance sheet based on Penny’s estimates for the first year.
- **New Annual Report Case** that can be graded through Connect.
- **New and updated real companies in end-of-chapter exercises, problems, and cases.**

**Chapter 2**

**Focus Company: Chipotle Mexican Grill**

- Chapter 2 introduces the accounting cycle for Chipotle Mexican Grill, a trendy, yet relatively simple company. The chapter integrates financial information for investing and financing activities for the first quarter of 2015, resulting in the company’s actual quarterly balance sheet (with a few simplifications). This fast-casual restaurant does not utilize franchising, thus reducing the complexities found with most other competitors and allowing focused emphasis on transaction analysis, journal entries, T-accounts, and the structure of the balance sheet.
- Focus and contrast company data updated.
- Update of the conceptual framework to reflect the new definitions from the FASB.
- Simplified account titles that relate more closely to end-of-chapter material.
- T-accounts now follow each transaction to illustrate posting the effects, while marginal notes have been deleted for a cleaner visual approach.
- **New additional GUIDED HELP** feature provides free access to step-by-step video instruction applying transaction analysis to identify accounts and effects on the accounting equation. This is in addition to the existing Guided Help for recording, posting, and classifying accounts for financing and investing activities.
• **New CONTINUING PROBLEM** added to the end-of-chapter problems based on the activities of Penny’s Pool Service & Supply and its supplier, **Pool Corporation**. These companies provide a consistent context for summarizing the key points emphasized in each chapter. In Chapter 2, students prepare journal entries, post to T-accounts, prepare a trial balance and classified balance sheet, identify investing and financing activities affecting cash flows, and compute and interpret the current ratio based on the balance sheet for Penny’s Pool Service & Supply.

• **New and updated real companies**, as well as additional exercises on key concepts, in end-of-chapter exercises, problems, and cases.

• **New Annual Report Case** that can be graded through Connect.

**Chapter 3**

**Focus Company: Chipotle Mexican Grill**

• Chapter 3 builds on Chapter 2 by explaining and illustrating transaction analysis for operating activities for the first quarter of 2015 for **Chipotle Mexican Grill**. Students apply their knowledge of accounting concepts by preparing journal entries and posting to T-accounts using Chapter 2 transactions involving revenues and expenses.

• Focus and contrast company data updated.

• **New** concepts based on the FASB’s Accounting Standards Updates for revenue recognition and expense recognition are incorporated in the chapter and end-of-chapter material.

• **New** additional **GUIDED HELP** feature provides free access to step-by-step video instruction applying transaction analysis to identify accounts and effects on the accounting equation. This is in addition to the existing Guided Help for identifying revenue and expense account titles and amounts for a given period.

• **New CONTINUING PROBLEM** added to the end-of-chapter problems based on the activities of Penny’s Pool Service & Supply and its supplier, **Pool Corporation**. These companies provide a consistent context for summarizing the key points emphasized in each chapter. In Chapter 4, students prepare adjusting journal entries for Penny’s Pool Service & Supply.

• **New and updated real companies**, as well as additional exercises on key concepts, in end-of-chapter exercises, problems, and cases.

• **New Annual Report Case** that can be graded through Connect.

**Chapter 4**

**Focus Company: Chipotle Mexican Grill**

• Chapter 4 builds on Chapters 2 and 3 by explaining and illustrating end-of-period adjustments, financial statements, and closing the records for the first quarter of 2015 for **Chipotle Mexican Grill**.

• Focus and contrast company data updated.

• The process for identifying and recording an adjustment at the end of the period has been modified to provide a logical progression—with the journal entry followed by the effects on the accounting equation, followed by posting the effects in the T-accounts—with less marginal clutter.

• **New** additional **GUIDED HELP** feature provides free access to step-by-step video instruction on recording a closing entry. This is in addition to the existing Guided Help for recording adjusting entries.

• **New CONTINUING PROBLEM** added to the end-of-chapter problems based on the activities of Penny’s Pool Service & Supply and its supplier, **Pool Corporation**. These companies provide a consistent context for summarizing the key points emphasized in each chapter. In Chapter 4, students prepare adjusting journal entries for Penny’s Pool Service & Supply.

• **New and updated real companies**, as well as additional exercises on key concepts, in end-of-chapter exercises, problems, and cases.

• **New Annual Report Case** that can be graded through Connect.

**Chapter 5**

**Focus Company: Apple Inc.**

• Chapter 5 has been rewritten around the most recent financial statements and corporate governance and disclosure processes of **Apple Inc.**, students’ favorite technology company.

• Focus and contrast company data updated.

• Focus of the chapter has been narrowed to three topics: details of the corporate governance and disclosure process; financial statement formats and important subtotals, totals, and additional disclosures; and the analysis of financial statements through gross profit, net profit, total asset turnover, and return on assets analysis.

• Fraud triangle provides the basis for the corporate governance discussion.

• **New** section on the effects of transactions on key ratios added to tie in the chapter to material in Chapters 2, 3, and 4.

• **GUIDED HELP** feature provides free access to step-by-step video instruction on preparing a detailed classified income statement and balance sheet from a trial balance for **Amazon.com**, the world’s largest online retailer.

• More algorithmic exercises included in Connect.

• **Two new CONTINUING PROBLEMS** added to the end-of-chapter problems. The first asks students to evaluate the effects of key transactions on important statement subtotals and financial ratios.
for Penny’s Pool Service & Supply. The second introduces Penny’s supplier, Pool Corporation, a public company, and asks students to prepare a detailed classified income statement and balance sheet and compute the gross profit percentage and return on assets ratios.

- New Annual Report Case that can be graded through Connect.
- New and updated real companies in end-of-chapter exercises, problems, and cases.

Chapter 6
Focus Company: Deckers Brands
- Focus and contrast company data updated.
- Content narrowed to three related topics: determinants of net sales, receivables valuation, and control of cash.
- Exhibits reorganized to better reflect the chapter flow.
- Coverage of bad debt recoveries increased.
- Coverage of electronic banking increased.
- Two New GUIDED HELP features provide free access to step-by-step video instruction on (1) preparing entries related to bad debts and determining their financial statement effects and (2) using aging to estimate bad debt expense.
- More algorithmic exercises included in Connect.
- New CONTINUING PROBLEM added to the end-of-chapter problems. Students are asked to make summary entries for bad debts and compute the amount to be reported as net sales for Pool Corporation, a public company.
- New Annual Report Case that can be graded through Connect.
- New and updated real companies in end-of-chapter exercises, problems, and cases.

Chapter 7
Focus Company: Harley-Davidson, Inc.
- Focus and contrast company data updated.
- Coverage of perpetual versus periodic inventory systems moved to section on cost of goods sold near the beginning of the chapter.
- New rules for applying lower-of-cost-or-market to inventories covered at an appropriate level for the introductory course.
- Two New GUIDED HELP features provide free access to step-by-step video instruction on (1) computation of goods available for sale and cost of goods sold and (2) computing cost of goods sold and ending inventory under FIFO and LIFO costing methods.
- Exhibits 7.4 and 7.5 revised to make it easier to see the effects of FIFO, LIFO, and average costing methods on the financial statements.
- Supplement B added to demonstrate the effects of determining FIFO and LIFO cost of goods sold under periodic versus perpetual inventory systems.
- More algorithmic exercises included in Connect.
- New CONTINUING PROBLEM added to the end-of-chapter problems. Students are asked to compute the effects of the LIFO/FIFO choice for inventory items with increasing and decreasing costs for Pool Corporation, a public company.
- New Annual Report Case that can be graded through Connect.
- New and updated real companies, as well as additional exercises on key concepts, in end-of-chapter exercises, problems, and cases.

Chapter 8
Focus Company: Southwest Airlines
- Chapter 8 illustrates the acquisition, use, repair and improvement, and disposal of property, plant, and equipment, followed by an illustration of accounting and reporting for intangible assets and natural resources, at several companies including Cisco Systems, Walt Disney Company, Papa John’s International, and International Paper, among others.
- Focus and contrast company data updated.
- New additional GUIDED HELP feature provides free access to step-by-step video instruction on recording a disposal of an asset. This is in addition to the existing Guided Help for determining cost and creating depreciation schedules under straight-line, units-of-production, and declining-balance methods.
- New CONTINUING PROBLEM added to the end-of-chapter problems. Based on the activities of Pool Corporation, students are asked to determine cost; create depreciation schedules under straight-line, units-of-production, and declining-balance methods; and dispose of an asset.
- New and updated real companies, as well as additional exercises on key concepts, in end-of-chapter exercises, problems, and cases.
- New Annual Report Case that can be graded through Connect.

Chapter 9
Focus Company: Starbucks
- Focus company data updated. New contrast companies added.
- Complete revision of chapter content to more closely link content to other chapters and to use consistent terminology throughout the chapter.
- Updated present value discussion and graphics for both single amounts and annuities. Chapter now includes descriptions of how to calculate present values using tables, calculators, and Excel.
- New GUIDED HELP features teach students the steps required to compute present values using two popular calculator models (HP 10BII+ and HP 12C) and Excel.
- New Supplement A uses vivid graphics to display the steps required to compute...
present values using two popular calculator models (HP 10BII+ and HP 12C) and Excel.

- **New CONTINUING PROBLEM** added to the end-of-chapter problems. Students are asked to record transactions that affect the liabilities section of the balance sheet for **Pool Corporation**, a public company.
- **New** Annual Report Case that can be graded through Connect.
- **New and updated real companies** in end-of-chapter exercises, problems, and cases.
- End-of-chapter material completely updated to seamlessly match the content of the chapter.

**Chapter 10**

**Focus Company: Amazon**

- **New** focus company and new contrast companies.
- Complete revision of chapter content to more closely link content to other chapters and to use consistent terminology throughout the chapter.
- **New** graphics that visually help students understand the timing of bond payments and the accounting for bonds.
- **New FINANCIAL ANALYSIS** feature describes bond ratings and bond rating agencies.
- Revised structure allows instructors to seamlessly assign accounting for bonds with or without the use of discount and premium accounts.
- **New GUIDED HELP** features walk students through (1) how to calculate the present value of a bond issued at a premium and (2) how to account for the bond over its life.
- **New** discussion of accounting for bond issuance costs.
- **New CONTINUING PROBLEM** added to the end-of-chapter problems. Students are asked to record bond transactions for **Pool Corporation**, a public company.

**Chapter 11**

**Focus Company: Whole Foods Market**

- **New** focus company and new contrast companies.
- Complete revision of chapter content to more closely link content to other chapters and to use consistent terminology throughout the chapter.
- **New** discussion of stock splits effected in the form of a stock dividend.
- **New FINANCIAL ANALYSIS** feature on preferred stock.
- **New CONTINUING PROBLEM** added to the end-of-chapter problems. Students are asked to record transactions that affect the equity section of the balance sheet for **Pool Corporation**, a public company.
- **New** Annual Report Case that can be graded through Connect.
- **New and updated real companies** in end-of-chapter exercises, problems, and cases.
- End-of-chapter material completely updated to seamlessly match the content of the chapter.

**Chapter 12**

**Focus Company: National Beverage Corporation**

- Focus and contrast company data updated.
- **Two New GUIDED HELP** features provide free access to step-by-step video instruction on (1) preparing the operating section of the statement of cash flows using the indirect method and (2) preparing the investing and financing sections of the statement of cash flows.

**Chapter 13**

**Focus Company: The Home Depot**

- Focus company data updated.
- Complete revision of chapter content to more closely link content to other chapters and to use consistent terminology throughout the chapter.
- **New** discussion of DuPont analysis.
- Ratio formulas in chapter updated to be consistent with formulas provided in previous chapters.
- **New CONTINUING PROBLEM** added to the end-of-chapter problems. Students are asked to download the latest financial statements for **Pool Corporation**, a public company, and compute various ratios discussed in the chapter.
- **New** Annual Report Case that can be graded through Connect.
- **New and updated real companies** in end-of-chapter exercises, problems, and cases.
- End-of-chapter material completely updated to seamlessly match the content of the chapter.

**Appendix A**

**Focus Company: Graham Holdings Company**

- **New focus company**, Graham Holdings Company, a company that expands
primarily through investing in other companies, including Kaplan, Inc. (top admissions test preparation organization). Accounting and reporting are discussed and illustrated for: (1) debt securities held to maturity, (2) passive investments using the fair value method, (3) investments involving significant influence using the equity method, and (4) investments in controlling interests.

- Focus and contrast company data updated.
- GUIDED HELP feature provides free access to step-by-step video instruction on accounting for and reporting available-for-sale securities as investments at fair value.
- New CONTINUING PROBLEM added to the end-of-chapter problems. Using the activities of Pool Corporation, students are asked to record passive investments as trading securities and as available-for-sale securities over a three-year period.
- New and updated real companies, as well as additional exercises on key concepts, in end-of-chapter exercises, problems, and cases.
- New Annual Report Case that can be graded through Connect.
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- Exercises
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- Comprehensive Problems
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New General Ledger Problems provide a much-improved student experience when working with accounting cycle questions, offering improved navigation and less scrolling. Students can audit their mistakes by easily linking back to their original entries and can see how the numbers flow through the various financial statements. Many General Ledger Problems include an analysis tab that allows students to demonstrate their critical thinking skills and a deeper understanding of accounting concepts.

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—Professor Lisa McKinney, M.T.A., CPA, University of Alabama
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The Interactive Presentations provide engaging narratives of all chapter learning objectives in an assignable and interactive online format. They follow the structure of the text and are organized to match the specific learning objectives within each chapter of Financial Accounting. The interactive presentations provide additional explanation and enhancement of material from the text chapter, allowing students to learn, study, and practice with instant feedback, at their own pace.

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—Jennah Epstein Kraus, Student, Bunker Hill Community College
ACKNOWLEDGMENTS

Many dedicated instructors have devoted their time and effort to help us make each edition better. We would like to acknowledge and thank all of our colleagues who have helped guide our development decisions for this and previous editions. This text would not be the success it is without the help of all of you.

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