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Financial ACCOUNTING

TWELFTH EDITION

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For my wife, Mary Ann.
C. William (Bill) Thomas

To my husband, Russ, who steadfastly supports me in every endeavor.
Wendy M. Tietz



About the Authors

C. William (Bill) Thomas is the J.E. Bush Professor of Accounting and a Master Teacher at Baylor University. A Baylor University alumnus, he received both his BBA and MBA there and went on to earn his PhD from The University of Texas at Austin.

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Thomas is the author of textbooks in auditing and financial accounting, as well as many articles in auditing, financial accounting and reporting, taxation, ethics, and accounting education. His scholarly work focuses on the subject of fraud prevention and detection, as well as ethical issues among accountants in public practice. He presently serves as the accounting and auditing editor of *Today's CPA*, the journal of the Texas Society of Certified Public Accountants, with a circulation of approximately 28,000.

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Dr. Tietz earned her PhD from Kent State University. She received both her MBA and BSA from the University of Akron. Prior to teaching, she worked in industry for several years, both as a controller for a financial institution and as the operations manager and controller for a recycled plastics manufacturer.





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Professor Harrison, recipient of numerous teaching awards from student groups as well as from university administrators, has also taught at Cleveland State Community College, Michigan State University, the University of Texas, and Stanford University.

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Professor Harrison has lectured in several foreign countries and published articles in numerous journals, including *Journal of Accounting Research*, *Journal of Accountancy*, *Journal of Accounting and Public Policy*, *Economic Consequences of Financial Accounting Standards*, *Accounting Horizons*, *Issues in Accounting Education*, and *Journal of Law and Commerce*.

Professor Harrison has received scholarships, fellowships, and research grants or awards from PricewaterhouseCoopers, Deloitte & Touche, the Ernst & Young Foundation, and the KPMG Foundation.



Charles T. Horngren (1926–2011) was the Edmund W. Littlefield Professor of Accounting, emeritus, at Stanford University. A graduate of Marquette University, he received his MBA from Harvard University and his PhD from the University of Chicago. He was also the recipient of honorary doctorates from Marquette University and DePaul University.

A certified public accountant, Horngren served on the Accounting Principles Board for six years, the Financial Accounting Standards Board Advisory Council for five years, and the Council of the American Institute of Certified Public Accountants for three years. For six years he served as a trustee of the Financial Accounting Foundation, which oversees the Financial Accounting Standards Board and the Government Accounting Standards Board.

Horngren is a member of the Accounting Hall of Fame. As a member of the American Accounting Association, Horngren was its president and its director of research. He received its first annual Outstanding Accounting Educator Award. The California Certified Public Accountants Foundation gave Horngren its Faculty Excellence Award and its Distinguished Professor Award. He was the first person to have received both awards. The American Institute of Certified Public Accountants presented its first Outstanding Educator Award to Horngren. Horngren was named Accountant of the Year, in Education, by the national professional accounting fraternity, Beta Alpha Psi. Professor Horngren was also a member of the Institute of Management Accountants, from whom he received its Distinguished Service Award. He was a member of the institute's Board of Regents, which administers the Certified Management Accountant examinations.

Horngren is an author of these other accounting books published by Pearson: *Cost Accounting: A Managerial Emphasis*, Fifteenth Edition, 2015 (with Srikant M. Datar and Madhav V. Rajan); *Introduction to Financial Accounting*, Eleventh Edition, 2014 (with Gary L. Sundem, John A. Elliott, and Donna Philbrick); *Introduction to Management Accounting*, Sixteenth Edition, 2014 (with Gary L. Sundem, Jeff Schatzberg, and Dave Burgstahler); *Horngren's Financial & Managerial Accounting*, Fifth Edition, 2016 (with Tracie L. Miller-Nobles, Brenda L. Mattison, and Ella Mae Matsumura); and *Horngren's Accounting*, Eleventh Edition, 2016 (with Tracie L. Miller-Nobles, Brenda L. Mattison, and Ella Mae Matsumura). Horngren was the consulting editor for Pearson's Charles T. Horngren Series in Accounting.

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Preface

Financial Accounting gives readers a solid foundation in the fundamentals of accounting and the basics of financial statements, and then builds upon that foundation to offer more advanced and challenging concepts and problems. This scaffolded approach helps students to better understand the meaning and relevance of financial information and see its significance within a real-world context, as well as develop the skills needed to analyze financial information in both their courses and career.

Financial Accounting has a long-standing reputation in the marketplace for being readable and easy to understand. It drives home fundamental concepts using relevant examples from real-world companies in a reader-friendly way without adding unnecessary complexity. While maintaining hallmark features of accuracy, readability, and ease of understanding, the Twelfth Edition includes updated explanations, coverage, and ratio analysis with decision-making guidelines. These time-tested methodologies with the latest technology ensure that students learn basic concepts in accounting in a way that is relevant, stimulating, and fun, while exercises and examples from real-world companies help students gain a better grasp of the course material.

NEW TO THE TWELFTH EDITION

All Chapters

- New serial case on The Cheesecake Factory appears in every chapter in the end-of-chapter material.
- Throughout the book, an emphasis has been placed on making content flexible and modular to suit individual instructor preferences.
- Chapter content has been streamlined throughout the book to focus on the major concepts. References to material beyond the scope of an introductory financial accounting course have been eliminated to reduce “noise” in the learning process.

Chapter 1

- Updated and shortened the Disney case significantly, as well as the introduction, so students can more easily understand the major points.
- Shortened and eliminated many references to upcoming chapters and material (e.g., removed material on the board of directors and how corporate governance works since this is covered later in the text; “carrying value” and “high-quality earnings” were also removed since these concepts were too high level in the introductory chapter).
- Significantly shortened the discourse on GAAP versus IRFS.
- Updated Ethisphere’s list of the World’s Most Ethical Companies.

Chapter 2

- Combined learning objectives 1 and 2.
- Updated the Disney case.
- Streamlined the coverage of the different types of accounts.

- Deleted the “Account Formats” section.
- Deleted “Analyzing Transactions Using Only T-Accounts” section.

Chapter 3

- Significantly shortened the Global View box on the rules for recognizing revenue under U.S. GAAP versus IRFS.

Chapter 4

- Reversed Learning Objectives 3 and 4; “Evaluate Internal Controls” now comes before “Preparing a Bank Reconciliation.”
- Eliminated Learning Objective 5, “Construct and Use a Cash Budget” and the associated materials in the chapter.
- Significantly shortened the Green Valley introductory case.
- Streamlined the coverage on the details of SOX.
- Streamlined the sections related to internal controls.
- Updated the section on computer controls to include malware, spyware, and ransomware.
- Streamlined the bank reconciliation and journal transactions sections.

Chapter 5

- This chapter underwent a major revision, so the Learning Objectives are significantly different.
- Short-term investments were moved from Chapter 5 to Appendix E.
- Updated the Apple introductory case.
- Sales Returns and Allowances and Sales Discounts are now separate learning objectives to allow for flexibility in coverage.
- Sales Returns and Allowances and Sales Discounts sections have been updated to reflect changes in revenue recognition standards.
- Sales Returns and Allowances section has been significantly pared down.
- New “Cooking the Books” on OCZ Technology Groups discusses misleading revenue recognition techniques.
- Several topics were eliminated, including internal controls over cash collections on account, credit card and debit card sales, and factoring.

Chapter 6

- Under Armour, Inc. case is updated and significantly streamlined.
- Discussion on consignment inventory has been pared down and focused.
- Updated and streamlined the section on periodic versus perpetual inventory systems.
- Section on keeping track of perpetual inventories under the LIFO and the weighted-average cost methods was eliminated.

- Streamlined the material on the disclosure principle.
- New “Cooking the Books” on LogiTech International’s write down of inventory of parts related to its unsuccessful streaming device.

Chapter 7

- Updated the FedEx introductory case.
- Pared down the “Cooking the Books” feature on Waste Management.
- Significantly pared down the conditions and details related to asset impairment rules under U.S. GAAP versus IFRS.

Chapter 8

- Current and Contingent Liabilities, which were previously covered in Chapter 9, are now covered in this chapter.
- Long Term Investments is now covered in Appendix E.
- Time Value of Money is now covered in Appendix F.
- Updated the Amazon introductory case.
- New “Cooking the Engines” feature on the Volkswagen scandal as an example of disclosure principles for contingent liabilities.

Chapter 9

- Current and contingent liabilities are now in Chapter 8.
- Learning Objective 4, “Analyze and Differentiate Financing with Debt vs. Equity,” has been moved to Chapter 10, which covers stockholders’ equity.
- Shortened and updated Southwest Airlines introductory case.
- Clarified and streamlined the lease section to correspond with the FASB’s revised standard.
- Added new Learning Objective on the impact of leverage on financial statements.

Chapter 10

- Learning Objective 5 has been changed from “Use Stock Values in Decision Making” to “Evaluate a Company’s Performance Using New Ratios.”
- Moved discussion of EPS calculations and PE ratio previously covered in Chapter 11 (Income Statement) to this chapter.
- Emphasized the coverage of EPS and removed coverage of the book value per share.
- Coverage of debt versus equity financing has been moved to this chapter (it was previously covered in Chapter 9, Liabilities).
- Updated and shortened the Home Depot introductory case.
- Tightened up the coverage of corporations and corporate governance.
- Eliminated several topics, including: redeemable preferred stock, redemption value, and liquidation value.

Chapter 11

- Some material previously found in Chapter 11 moved to Chapter 12, including earnings quality, footnotes, and differentiating between management and auditor responsibilities; revenue recognition moved to Chapter 5; earnings per share moved to Chapter 10.
- Coverage of Statement of Cash Flows moved from Chapter 12 in previous edition to Chapter 11.
- Updated and shortened the Google introductory case.
- Condensed the material on noncash activities.

Chapter 12

- Coverage of material previously found in Chapter 11 can now be found in this chapter, including: earnings quality, discussion on footnotes, and differentiating between management and auditor responsibilities.
- Under Armour's competitive position extensively updated.
- Several topics were eliminated, including: discussion of classes of stock (A, B, etc.), book value per share, Economic Value Added (EVA), and weighted average cost of capital.

Appendix E

- This new appendix combines and greatly condenses the coverage of all the investments in marketable securities, both short- and long-term (formerly in Chapters 5 and 8). All related problem materials were correspondingly shortened.

Appendix F

- This new appendix covers the time value of money, which was formerly located in Chapter 8. All related problem materials were correspondingly shortened.

SOLVING TEACHING AND LEARNING CHALLENGES

Dear Valued Colleagues,

Welcome to the Twelfth Edition of *Financial Accounting*. We are grateful for your support as an adopter of our text as we celebrate over 30 years of success in the market. The Twelfth Edition of *Financial Accounting* has been improved in many respects, as explained below.

Twelve chapters now rather than thirteen. We streamlined the content and the writing in this edition. We focused on students when working on this edition—we made the content more relevant to today’s students with new stories and eliminated topics that are not relevant to introductory financial accounting. The first section of the book continues to be focused on the accounting cycle and basic financial statement preparation. The middle section of the book covers assets, liabilities, and stockholders’ equity. The final two chapters cover the statement of cash flows and financial statement analysis. In this edition, the topics of investments and the time value of money are now appendices rather than a chapter. Chapter 9, Liabilities, from the 11th edition has been split into two chapters in this 12th edition: Chapter 8, Current Liabilities and Chapter 9, Long-Term Liabilities. We also integrated or eliminated the topics that were formerly in Chapter 11, Evaluating Performance: Earnings Quality, the Income Statement, and the Statement of Comprehensive Income, into other chapters. The book now has 12 chapters, making the content fit into a 15- or 16-week semester easily. We also focused on making the writing in the book more clear and understandable.

Author-created instructor resources. This book has a variety of instructor resources created by one of the authors, Wendy Tietz, to help instructors be both more efficient and more effective in their teaching. She has created 2–4 multiple-choice questions for each Accounting in the Headlines blog post. Those questions are in MyLab Accounting. She has also created a Learning Catalytics polling question for each blog post that is designed to start the conversation about that particular blog post. Dr. Tietz has created approximately 4–10 short videos about the major concepts in each chapter. In addition, she has created step-by-step videos for 3–6 of the homework exercises in each chapter. All of these videos are assignable through MyLab Accounting.

Try It in Excel®. As educators, we often have conversations with those who recruit our students. Based on these conversations, we found that students often complete their study of financial accounting without sufficient knowledge of how to use Excel® to perform accounting tasks. To respond to this concern, we have adapted most of the illustrations of key accounting tasks in the book to Excel® format and have added new sections in key chapters entitled “Try It in Excel®,” which describe line-by-line how to retrieve and prepare accounting information (such as adjusted trial balance worksheets, ratio computations, depreciation schedules, bond discount and premium amortization schedules, and financial statement analysis) in Excel® format.

Student success. We feel we have the most advanced student learning materials in the market with MyLab Accounting. These include automatically graded homework, DemoDocs, and learning aid videos. We believe that the use of MyLab Accounting homework will greatly enhance student understanding of accounting with its instantaneous feedback. MyLab Accounting makes the study of financial accounting a more interactive and fun experience for students. In addition, we have adopted a scaffolding approach in the book and its resources. Chapter content and the end-of-chapter material build from the basic short exercise featuring a single concept to more advanced problems featuring multiple learning objectives. The student can practice at the basic level and then build upon that success to advance to more challenging problems.

Professor expectations. As professors, we know that you want a book that contains the most relevant and technically correct content available. We also know that you want excellent end-of-chapter material that is as up-to-date and error-free as possible. We reviewed and created the end-of-chapter questions, exercises, problems, and cases taking into account the types of assignments we ourselves use in class and assign as homework. Based on comments from adopters, we have thoroughly reviewed every end-of-chapter exercise and problem, with the goal of eliminating redundancy and adding relevance. The textbook and solutions manual have been put through a rigorous accuracy check to ensure that they are as complete and error-free as possible.

We welcome your comments and suggestions. Please don't hesitate to send feedback about this book to HorngrensAccounting@pearson.com. You are also welcome to reach out directly to author Bill Thomas at Bill_Thomas@baylor.edu or author Wendy Tietz at wtietz@kent.edu.

*Bill Thomas
Wendy Tietz*

REACH EVERY STUDENT WITH MYLAB ACCOUNTING.

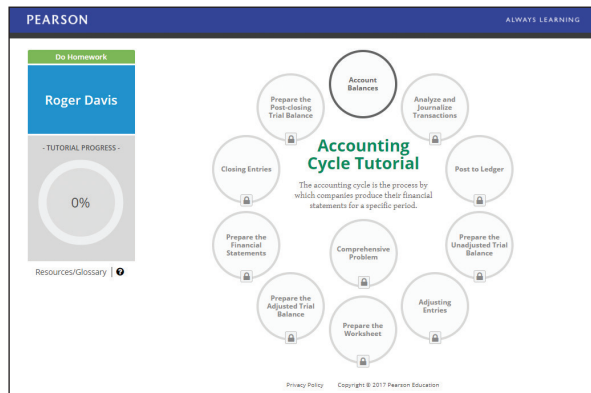
MyLab is the teaching and learning platform that empowers you to reach every student. By combining trusted author content with digital tools and a flexible platform, MyLab personalizes the learning experience and improves results for each student. Learn more about MyLab Accounting.

EMPOWER EACH LEARNER

Each student learns at a different pace. Personalized learning pinpoints the precise areas where each student needs practice, giving all students the support they need—when and where they need it—to be successful.

IMPROVE STUDENT RESULTS

When you teach with MyLab, student performance improves. That's why instructors have chosen MyLab for over 20 years, touching the lives of over 50 million students.

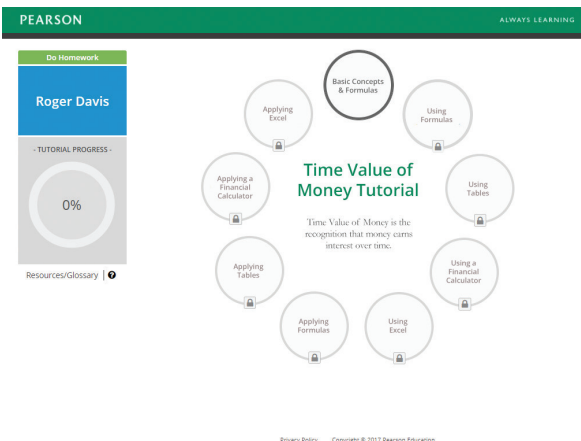


Accounting Cycle Tutorial (ACT) with Comprehensive Problem

MyLab Accounting's new interactive tutorial helps students master the accounting cycle for early and continued success in the Introduction to Accounting course. The tutorial, accessed by computer, Smartphone, or tablet, provides students with brief explanations of each concept of the accounting cycle through engaging videos and animations. Students are immediately assessed on their understanding, and their performance is recorded in the MyLab Accounting grade book. Whether the Accounting Cycle Tutorial is used as a remediation self-study tool or course assignment, students have yet-another resource within MyLab Accounting to help them be successful with the accounting cycle. This updated version includes a new comprehensive problem.

NEW—Time Value of Money Tutorial **NEW!**

The **Time Value of Money Tutorial** in MyLab ensures that students understand the basic theory and formulas of the TVM, while also helping test their ability to *apply* the TVM in the measurement of financial statement items. Students work through two sections. The first is to help them understand the theory—using whichever method the instructors choose (manually, through Excel®, with tables, or via a calculator), and the second is to give students the opportunity to apply the theory by giving them a number of scenarios regarding each financial statement.



Deliver trusted content

You deserve teaching materials that meet your own high standards for your course. That's why we partner with highly respected authors to develop interactive content and course-specific resources that you can trust—and that keep your students engaged.

Try It

Found at various points in a chapter, this tool includes a question-and-answer snapshot asking students to apply what they just learned.

TRY IT

(Answers are given on p. 200.)

- (1) On March 15, a customer pays \$3,133 for ten 4-day passes to Disney World for a vacation that will take place June 1–4. Did Disney earn the revenue on March 15?
- (2) On July 1, The Walt Disney Company prepays \$60,000 in rent for a Disney Store building for the next six months. Did Disney incur the expense on July 1? If not, when will the company recognize rent expense?

Try It in Excel®

You can access the most current annual report of Southwest Airlines Company in Excel format at www.sec.gov. Using the “FILINGS” link on the toolbar at the top of the home page, select “Company Filings Search.” This will take you to the “Edgar Company Filings” page. Type “Southwest Airlines” in the company name box, and select “Search.” This will produce the “EDGAR Search Results” page showing the company name. Click on the “CIK” link beside the company name. Doing so will pull up a list of the reports the company has filed with the SEC. Under the “Filing Type” box, type “10-K” and click the search box. Form 10-K is the SEC form for the company’s annual report. Find the year that you wish to view. Click on the “Interactive Data” box, which takes you to the “View Filing Data” page. Find and click on the “View Excel Document” link at the top of this page. You may choose to either open or download the Excel files containing the company’s most recent financial statements.

Try It in Excel®

Describes line-by-line how to retrieve and prepare accounting information (such as adjusted trial balance worksheets, ratio computations, depreciation schedules, bond discount and premium amortization schedules, and financial statement analysis) in Excel®.

Decision Guidelines

Illustrates how financial statements are used and how accounting information aids companies in decision making.

Decision Guidelines

INVESTING IN STOCK

Suppose you’ve saved \$5,000 to invest. You visit a nearby Edward Jones office, where the broker probes for your risk tolerance. Are you investing mainly for dividends or for growth in the stock price? These guidelines offer suggestions for what to consider when investing in stock.

Investor Decision	Guidelines
Which category of stock to buy for:	
• A safe investment?	Preferred stock is safer than common, but for even more safety, invest in high-grade corporate bonds or government securities.
• Steady dividends?	Cumulative preferred stock. However, the company is not obligated to declare preferred dividends, and the dividends are unlikely to increase.
• Increasing dividends?	Common stock, as long as the company’s net income is increasing and the company has adequate cash flow to pay a dividend after meeting all obligations and other cash demands.
• Increasing stock price?	Common stock, but again only if the company’s net income and cash flow are increasing.
• How to identify a good stock to buy?	There are many ways to pick stock investments. One strategy that works reasonably well is to invest in companies that consistently earn higher rates of return on assets and on equity than competing firms in the same industry. Another, called “value investing,” is to invest in companies that have high earnings but relatively low price/earnings multiples compared to other companies in the same industry. Still another is to select companies with solid earnings in industries that are expected to grow.

Ethics Check

EC3-1. Identify ethical principle violated

For each of the situations listed, identify which of three principles (integrity, objectivity and independence, or due care) from the AICPA Code of Professional Conduct is violated. Assume all persons listed in the situations are members of the AICPA. (Note: Refer to the AICPA Code of Professional Conduct contained on pages 25–27 in Chapter 1 for descriptions of the principles.)

- a. Drew purposely excludes a large amount of accrued salaries payable from this year’s financial statements so his company’s debt-to-equity ratio appears lower to investors.
- b. Abbey’s company determines year-end bonuses based on revenue growth. Abbey records the sales of gift cards during this month as revenue rather than as unearned revenue. None of these gift cards have been used by customers as of the end of the current month. By recording the gift card sales as revenue in the current period, revenue will be higher and Abbey’s bonus will, as a result, be higher as well.
- c. Debbie, a CPA, is an associate at a regional public accounting firm. Debbie’s firm is auditing a local payroll company. Debbie does not disclose that her husband is a manager at the payroll company.
- d. A new revenue recognition standard has been issued by the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB). John does not attend training on the new revenue recognition standard because he is busy dealing with the accounting impact of a merger.

Ethics Check

This new end-of-chapter feature presents students with several ethical business situations and asks them to identify which of the principles from the AICPA Code of Professional Conduct is violated.

Ethical Issue

This end-of-chapter feature presents students with ethical situations and has them work through the decision framework for making ethical judgments. Finally, they are asked to come to a decision and support it.



Ethical Issue

C6-85. During 2016, Coalmont, Inc., changed to the LIFO method. Suppose that during 2017, Coalmont changed back to the FIFO method. In 2018, the company switched back to LIFO again.

Requirements

1. What would you think of a company’s ethics if it changed accounting methods every year?
2. What accounting principle would changing methods every year violate?
3. Who can be harmed and how when a company changes its accounting methods too often?

Serial Case

CS-53. (Learning Objective 5: Analyze contingent liabilities of a company in the restaurant industry)

Note: This case is part of *The Cheesecake Factory* serial case contained in every chapter in this textbook.

Like many other large companies, **The Cheesecake Factory Incorporated** has several legal actions pending against it at any given time. It must accrue for and/or disclose certain contingent liabilities, such as pending or possible legal actions, in its financial statements and notes to its financial statements. The necessary reporting depends on the specific circumstances of the situations and the company's attorneys' assessment of the potential outcomes.

To follow are four *hypothetical* legal situations that might face The Cheesecake Factory.

Situation A: A former restaurant employee filed a class-action lawsuit alleging that The Cheesecake Factory violated the local law when it required employees to purchase their work uniforms. Legal counsel has indicated that the case will probably be settled for \$2,500.

Situation B: A customer filed a lawsuit alleging that The Cheesecake Factory was negligent when she slipped and fell on a wet floor near the bar area in a Cheesecake Factory in Topeka, Kansas. Legal counsel has indicated that the company will most likely settle this case, but counsel is unable to estimate the dollar amount of the settlement.

Situation C: A customer filed a lawsuit alleging that The Cheesecake Factory caused her severe emotional distress when her favorite dessert was out of stock for her birthday dinner at the restaurant. Legal counsel has indicated that the chance of losing this lawsuit is remote.

Situation D: A former restaurant hourly employee filed a class-action lawsuit for \$200,000 alleging that The Cheesecake Factory violated the local law by failing to pay overtime. Legal counsel has stated that it is reasonably possible, but not probable, that The Cheesecake Factory could lose the lawsuit.

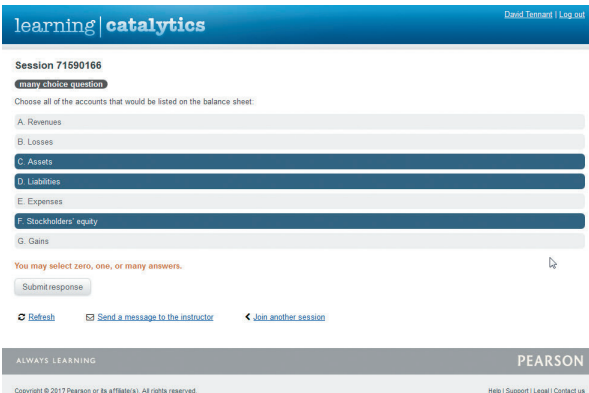
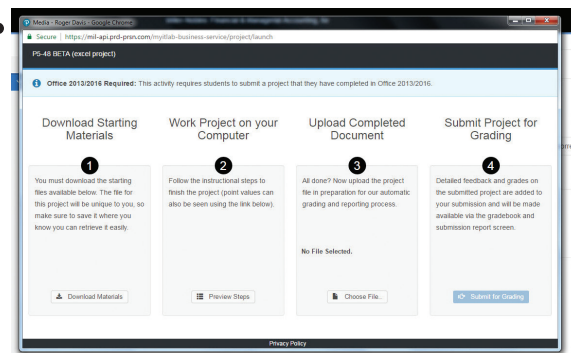
NEW **Cheesecake Factory Serial Case**, consisting of several smaller cases—one per chapter, focuses on the same real-world company. This continuing case is meant to inspire critical thinking and to connect the content with real life by following one company through all of the chapters in financial accounting.

Teach your course your way

Your course is unique. So whether you'd like to build your own assignments, teach multiple sections, or set prerequisites, MyLab gives you the flexibility to easily create your course to fit your needs.

NEW Auto-Graded Excel® Projects **NEW!**

Using proven, field-tested technology, MyLab Accounting's new auto-graded Excel® Projects allow instructors to seamlessly integrate Excel® content into their course without having to manually grade spreadsheets. Students have the opportunity to practice important Accounting skills in Microsoft Excel®, helping them to master key concepts and gain proficiency with Excel®. Students simply download a spreadsheet, work live on an accounting problem in Excel®, and then upload that file back into MyLab Accounting, where they receive reports on their work that provide personalized, detailed feedback to pinpoint where they went wrong on any step of the problem.



Learning Catalytics

Learning Catalytics, available through MyLab Accounting, is a “bring your own device” assessment and classroom activity system that expands the possibilities for student engagement. Using Learning Catalytics, you can deliver a wide range of automatically graded or open-ended questions that test content knowledge and build critical thinking skills. Eighteen different answer types provide great flexibility, including graphical, numerical, textual input, and more.

Pearson eText

Pearson eText enhances student learning. Worked examples, videos, and interactive tutorials bring learning to life, while algorithmic practice and self-assessment opportunities test students' understanding of the material.

INSTRUCTOR TEACHING RESOURCES

This program comes with the following teaching resources.

Supplements available to instructors at www.pearsonhighered.com/harrison	Features of the Supplement
Solutions Manual Created in collaboration with: Betsy Willis from Baylor University	Contains solutions to all end-of-chapter questions, including short exercises, exercises, problems and cases.
Instructor's Manual Created in collaboration with: Betsy Willis from Baylor University	Includes chapter outlines, suggested in-class activities, topics with which students struggle, as well as the following: <ul style="list-style-type: none"> • Assignment grid that outlines all end-of-chapter exercises, problems, and cases; the topic being covered in that particular exercise, problem, or case; estimated completion time; level of difficulty. • Ten-minute quizzes that quickly assess students' understanding of the chapter material.
Flipping Your Classroom Guide Created by author Wendy Tietz	Tips for each chapter on how to take your course from a traditional/in-class course to a hybrid, blended, or fully online format. Includes links to the discussion board prompts.
Discussion Board Prompts Created by author Wendy Tietz	Get the most out of online and in-class discussions and promote interaction and engagement with your financial accounting students. This supplement will aid instructors in facing the challenges of utilizing discussion prompts effectively in the online accounting classroom.
Multiple Choice Questions in MyLab Accounting for Accountingintheheadlines.com Created by author Wendy Tietz	These multiple choice questions are assignable in MyLab Accounting related to the chapter's blog post from accountingintheheadlines.com
Polling Questions in Learning Catalytics for Accountingintheheadlines.com Created by author Wendy Tietz	These Learning Catalytic polling questions related to blog posts at accountingintheheadlines.com can be used as a tool to get students actively engaged with the content during class.
Videos Created by author Wendy Tietz	<ul style="list-style-type: none"> • Concept videos reviewing chapter learning objectives • Step-by-step videos for selected homework problems
Directed Reading Created by author Wendy Tietz	Encourage students to actively read the textbook BEFORE coming to class and help direct them to what is important. Students should hand in these directed reading worksheets at the beginning of class before the chapter is covered in class.
Test Bank	Includes more than 2,000 questions. Both objective-based questions and computational problems are available. <i>Algorithmic test bank</i> is available in MyLab Accounting. Most computational questions are formulated with an algorithm so that the same question is available with unique values. This offers instructors a greater pool of questions to pull from and will help ensure each student has a different test. All questions include the following annotations: <ul style="list-style-type: none"> • Difficulty level (1 for straight recall, 2 for some analysis, 3 for complex analysis) • Type (Multiple-choice, true/false, short-answer, essay) • Learning objective • AACSB learning standard (Ethical Understanding and Reasoning; Analytical Thinking Skills; Information Technology; Diverse and Multicultural Work; Reflective Thinking; Application of Knowledge)

Continued

Computerized TestGen	TestGen allows instructors to: <ul style="list-style-type: none"> • Customize, save, and generate classroom tests • Edit, add, or delete questions from the Test Item Files • Analyze test results • Organize a database of tests and student results.
PowerPoint® Presentations	These presentations help facilitate classroom discussion. <ul style="list-style-type: none"> • Instructor PowerPoint® Presentations with lecture notes • Student PowerPoint® Presentations <i>Image Library</i> contains all image files from the text to assist instructors in modifying our supplied PowerPoint® presentations or in creating their own PowerPoint® presentations.
Working Papers	Available in both Excel® and PDF format, these documents can be used for completing end-of-chapter questions in preformatted templates

For Students

MyLab Accounting online Homework and Assessment Manager includes:

- Pearson eText
- Student PowerPoint® Presentations
- Accounting Cycle Tutorial
- Time Value of Money Tutorial
- Videos
- Demo Docs
- Flash Cards
- Dynamic Study Modules
- Excel® in Practice Data Files
- Working Papers
- Directed Reading

Student resource website: <http://www.pearsonhighered.com/harrison>

This website contains the following:

- The Excel® in Practice Data Files, related to select end-of-chapter problems
- Working Papers, for completing end-of-chapter questions in preformatted templates
- Directed Reading, to help direct students to what content in the chapter is important.
- Student PowerPoint® Presentations

ACKNOWLEDGMENTS

We sincerely thank the many friends and colleagues who have helped in the process of writing and revising this book. Betsy Willis deserves special mention for her dedication, feedback, and hard work throughout this project. We thank Carolyn Streuly for her amazing accuracy checking, Amy Ray for her clear, valuable feedback, and Kathy Smith for her incredible ability to manage multiple roles and people in this book revision process. We are also deeply grateful to Lacey Vitetta for her endless patience and support. Thank you to Donna Battista, Adrienne D’Ambrosio, Nayke Popovich, Tricia Murphy, Mary Kate Murray, Sarah Peterson, Martha LaChance, and Beth Geary for their continued help and support. Thanks also to Betsy Willis for preparing the *Instructor’s Solutions Manual* and the *Instructor’s Resource Manual*. Thank you also to the many professors and students who have used the book and provided feedback for improving it.

We would like to thank the following reviewers for the Twelfth Edition for their valuable input: Henri Akono, Maine Business School; John Babich, Kankakee Community College; Rodger Brannan, University of Minnesota Duluth; Esther Bunn, Stephen F. Austin State University; Andrew Dill, University of Southern Indiana; Caroline Falconetti, Nassau Community College; Ariana Gammel, Lake Forest College; Jane Garvin, Ivy Tech State College; Konrad Gunderson, Missouri Western State University; Frank Kane, Purdue University; Joung Yeon Kim, Indiana University Kokomo; William

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In revising previous editions of *Financial Accounting*, we had the help of instructors from across the country who have participated in online surveys, chapter reviews, and focus groups. Their comments and suggestions for both the text and the supplements have been a great help in planning and carrying out revisions, and we thank them for their contributions.

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 Lily Sieux, California State University, East Bay
 Alvin Gerald Smith, University of Northern Iowa
 James Smith, Community College of Philadelphia
 Virginia Smith, Saint Mary's College of California
 Beverly Soriano, Framingham State College
 Vic Stanton, Stanford University
 Carolyn R. Stokes, Frances Marion University

J. B. Stroud, Nicholls State University
Gloria J. Stuart, Georgia Southern University
Al Taccone, Cuyamaca College
Diane Tanner, University of North Florida
Martin Taylor, University of Texas at Arlington
Dorothy Thompson, Ave Maria University
Howard Toole, San Diego State University
Vincent Turner, California State Polytechnic University,
Pomona
Sue Van Boven, Paradise Valley Community College
Marcia Veit, University of Central Florida
Bruce Wampler, Louisiana State University, Shreveport
Suzanne Ward, University of Louisiana at Lafayette

Michelle Watts, Boise State University
Craig Weaver, University of California, Riverside
Frederick Weis, Claremont McKenna College
Frederick Weiss, Virginia Wesleyan College
Betsy Willis, Baylor University
Ronald Woan, Indiana University of Pennsylvania
Allen Wright, Hillsborough Community College
Dr. Jia Wu, University of Massachusetts, Dartmouth
Yanfeng Xue, George Washington University
Barbara Yahvah, University of Montana–Helena
Myung Yoon, Northeastern Illinois University
Lin Zeng, Northeastern Illinois University
Tony Zordan, University of St. Francis

