

Intermediate Accounting

EIGHTH EDITION

J. DAVID SPICELAND

University of Memphis

JAMES F. SEPE

Santa Clara University

MARK W. NELSON

Cornell University

WAYNE B. THOMAS

University of Oklahoma





Dedicated to:

David's wife Charlene, daughters Denise and Jessica, and sons Michael David, Michael and David
Jim's wife Barbara, children Kristina, Matt, and Dave, daughter-in-law Donna, and grandchildren, Kaitlyn, Meghan, and Michael
Mark's wife Cathy, and daughters Liz and Clara
Wayne's wife Julee, daughter Olivia, and three sons Jake, Eli, and Luke

INTERMEDIATE ACCOUNTING, EIGHTH EDITION

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About the Authors

DAVID SPICELAND



David Spiceland is professor of accounting at the University of Memphis, where he teaches intermediate accounting and other financial accounting courses at the undergraduate and master's levels. He received his BS degree in finance from the University of Tennessee, his MBA from Southern Illinois University, and his PhD in accounting from the University of Arkansas.

Professor Spiceland's primary research interests are in earnings management and educational research. He has published articles in a variety of journals including *The Accounting Review*, *Accounting and Business Research*, *Journal of Financial Research*, and *Journal of Accounting Education*, and is an author of McGraw-Hill's *Financial Accounting* with Wayne Thomas and Don Herrmann. David has received university and college awards and recognition for his teaching, research, and technological innovations in the classroom.

JIM SEPE



Jim Sepe is an associate professor of accounting at Santa Clara University where he teaches primarily intermediate accounting in both the undergraduate and graduate programs. He previously taught at California Poly State University–San Luis Obispo and the University of Washington and has visited at Stanford University and the Rome campus of Loyola University of Chicago.

Professor Sepe received his BS from Santa Clara University, MBA from the University of California–Berkeley, and PhD from the University of Washington. His research interests concern financial reporting issues and the use of financial information by capital markets. He has published articles in *The Accounting Review*, the *Journal of Business Finance and Accounting*, *Financial Management*, the *Journal of Forensic Accounting*, the *Journal of Applied Business Research*, and the *Journal of Accounting Education*. He is a past recipient of the American Accounting Association's Competitive Manuscript Award and has served as a member of the editorial board of *The Accounting Review*.

Jim has received numerous awards for his teaching excellence and innovations in the classroom, including Santa Clara University's Brutocao Award for Excellence in Curriculum Innovation.

MARK NELSON



Mark Nelson is the Eleanora and George Landew Professor of Accounting at Cornell University's Johnson Graduate School of Management, where he teaches intermediate accounting at the MBA level. He received his BBA degree from Iowa State University and his MA and PhD degrees from Ohio State University. Professor Nelson has won eight teaching awards at Ohio State and Cornell.

Professor Nelson's research is focused on decision making in financial accounting and auditing. His research has been published in *The Accounting Review*, the *Journal of Accounting Research*, *Contemporary Accounting Research*, *Accounting Organizations and Society*, and several other journals. He has won the American Accounting Association's Notable Contribution to Accounting Literature Award, and also the AAA's Wildman Medal for work judged to make the most significant contribution to the advancement of the public practice of accountancy. He has served three times as an editor or associate editor of *The Accounting Review*, and serves on the editorial boards of several journals. Professor Nelson also served for four years on the FASB's Financial Accounting Standards Advisory Council.

WAYNE THOMAS

Wayne Thomas is the John T. Steed Chair and Professor of Accounting at the University of Oklahoma's Price College of Business. He received his BS degree from Southwestern Oklahoma State University and his MS and PhD from Oklahoma State University. He has received teaching awards at the university, college, and departmental levels, and has received the Outstanding Educator Award from the Oklahoma Society of CPAs. He is an author of McGraw-Hill's *Financial Accounting* with David Spiceland and Don Herrmann.

His research focuses on various financial reporting issues and has been published in *The Accounting Review*, *Journal of Accounting Research*, *Journal of Accounting and Economics*, *Contemporary Accounting Research*, *Review of Accounting Studies*, *Accounting Organizations and Society*, and others. He has served as an editor for *The Accounting Review* and has won the American Accounting Association's Competitive Manuscript Award and Outstanding International Accounting Dissertation.

Professor Thomas enjoys various activities such as tennis, basketball, golf, and crossword puzzles, and most of all he enjoys spending time with his wife and kids.



What Stands Out in the Eighth Edition?

The FASB and IASB have been working together to issue converged accounting standards that will dramatically change key reporting areas, but important differences remain between U.S. GAAP and IFRS. To help instructors navigate this challenging environment, the Spiceland team is committed to providing a complete learning system, encompassing the text, key ancillaries, and online content that guide students to a deeper understanding of intermediate accounting topics. All of that content is written by authors Spiceland, Sepe, Nelson, and Thomas.

1

The *Intermediate Accounting* learning system is built around three key attributes: current, comprehensive, and clear.

"An excellent textbook that covers accounting procedures thoroughly from a real-world perspective. It is very current and is accompanied by a great variety of learning aids to help students succeed."

—Kathy Hsiao Yu Hsu, *University of Louisiana-Lafayette*

Current: Few disciplines see the rapid changes that accounting experiences. The Spiceland team is committed to keeping your course up to date. The eighth edition fully integrates the latest FASB and IFRS updates, including:

- **NEW** Chapter 5 covering the latest standard on Revenue Recognition (ASU No. 2014-09—Revenue from Contracts with Customers (Topic 606)). Part A introduces the five-step process for recognizing revenue at a point in time, over a period of time, and for contracts with multiple performance obligations. Part B provides comprehensive coverage of specific topics within each of the five steps. Part C applies the five-step process to accounting for long-term contracts, and Part D considers the role of revenue recognition in profitability analysis.
- ASU No. 2014-08—Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity
- ASU No. 2012-02—Intangibles—Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment
- Exclusion of extraordinary items and valuation of inventory at the lower of cost and net realizable value
- Amendments to IFRS No. 9 with respect to classification, measurement and impairment of financial instruments.

In addition, current events have focused public attention on the key role of accounting in providing information useful to decision makers. The CPA exam, too, is redirecting its focus to emphasize the professional skills needed to critically evaluate accounting method alternatives. *Intermediate Accounting* provides a **decision maker's perspective** to emphasize the professional judgment and critical thinking skills required of accountants in today's business environment.

Comprehensive: Authors Spiceland, Sepe, Nelson, and Thomas ensure comprehensive coverage and quality throughout the learning system by writing *every major supplement*: study guide, instructor's resource manual, solutions manual, test bank, and website content. *All end-of-chapter material*, too, is written by the author team and tested in their classrooms before being included in *Intermediate Accounting*.

"This textbook is written in a way that is easy to read, provides clear examples, includes thorough coverage of necessary topics, and provides ample opportunity for practice and mastery of the material through end of chapter problems."

—Terra Brown, *University of Texas at Arlington*

"This is one of the most comprehensive and up-to-date texts for teaching intermediate accounting. It has a good balance of discussion, examples, problem solving and analytical case material, in addition to good integration of IFRS."

— Shailendra Pandit, *University of Illinois at Chicago*

Current, Comprehensive, Clear

Comprehensive coverage and quality of Spiceland's learning system continues in its **flexible technology** package. As today's accounting students continue to learn in a digital world, the eighth edition of Spiceland's learning system features: McGraw-Hill *Connect® Accounting*, SmartBook's adaptive learning and reading experience, Guided Examples, and Tegrity Campus. See pages viii–xv for more details!

Clear: Reviewers, instructors, and students all have hailed *Intermediate Accounting's* ability to explain both simple and complex topics in language that is clear and approachable. Its highly acclaimed conversational writing style establishes a friendly dialogue between the text and each individual student—creating the impression of speaking with the student, as opposed to teaching to the student. *Intermediate Accounting* is written to be the most complete and student-friendly book on the market.



2 New Coauthor Wayne Thomas

A new coauthor, Wayne Thomas of the University of Oklahoma, has joined the Spiceland team for the eighth edition. Wayne is an award-winning professor and a coauthor on the highly successful *Financial Accounting* with David Spiceland and Don Herrmann.

3 Added additional algorithmic questions to *Connect Accounting*—over **2,500 questions** available for assignment including more than 1,125 algorithmic questions.

4 New to *Connect Accounting*—**CPA and CMA exam multiple choice questions** are now available for assignment. These questions are automatically graded and can be assigned to your students along with Kaplan CPA simulations as a way to help your students prep for the CPA exam.

5 **PetSmart** financial statements for the year ended February 2, 2014, are used throughout each chapter to illustrate key accounting concepts. PetSmart is a company that will be familiar to most students and whose operations are easily understood. Its financial statements offer a comprehensive set of material that is presented in a clear manner.



"Very well written in a streamlined 21 chapter approach with IFRS incorporated throughout and excellent end of chapter materials."

—Michael Slaubaugh, *Indiana University/Purdue University*

Spiceland's Financial Accounting Series

To allow *Intermediate Accounting* to be part of a complete learning system, authors David Spiceland and Wayne Thomas have teamed up with Don Herrmann to offer *Financial Accounting*. Now in its third edition, *Financial Accounting* uses the same approach that makes *Intermediate Accounting* a success—conversational writing style with a real-world focus and author-prepared supplements, combined with McGraw-Hill *Connect Accounting*.



"If you like Spiceland's intermediate text, you will be thrilled with the financial accounting text. It is written in the same conversational style, addresses topics directly and clearly, and the illustrations are terrific too.

—Nancy Snow, *University of Toledo*.

What Keeps SPICELAND Users Coming Back?

Where We're Headed

These boxes describe the potential financial reporting effects of many of the FASB and IASB joint projects intended to further align U.S. GAAP and IFRS, as well as other projects the Boards are pursuing separately. Where We're Headed boxes allow instructors to deal with ongoing projects to the extent they desire.

Financial Reporting Cases

Each chapter opens with a Financial Reporting Case that places the student in the role of the decision maker, engaging the student in an interesting situation related to the accounting issues to come. Then, the cases pose questions for the student in the role of decision maker. Marginal notations throughout the chapter point out locations where each question is addressed. The case questions are answered at the end of the chapter.

Decision Makers' Perspective

These sections appear throughout the text to illustrate how accounting information is put to work in today's firms. With the CPA exam placing greater focus on application of skills in realistic work settings, these discussions help your students gain an edge that will remain with them as they enter the workplace.

Where We're Headed



The FASB is working on a project that could have a dramatic impact on the format of financial statements.

In 2004, the FASB and IASB began working together on a project, Financial Statement Presentation, to establish a common standard for presenting information in the financial statements, including classifying and displaying line items and aggregating line items into subtotals and totals. This project could have a dramatic impact on the format of financial statements. An important part of the proposal involves the organization of elements of the balance sheet (statement of financial position), statement of comprehensive income (including the income statement), and statement of cash flows.

Progress was made in 2004. The FASB's agenda. The IASB's agenda. The final book was published in 2005.

"Where We're Headed" boxes allow the students to be updated with the most current accounting changes without inundating them with needless technical specifications. A perfect balance!"

—Cheryl Bartlett, *Indiana University—South Bend*

Financial Reporting Case Solution

1. **What purpose do adjusting entries serve?** (p. 67) Adjusting entries help ensure that all revenues are recognized in the period goods or services are transferred to customers, regardless of when cash is received. In this instance, for example, \$13,000 cash has been received for services that haven't yet been performed. Also, adjusting entries enable a company to recognize all expenses incurred during a period, regardless of when cash is paid. Without depreciation, the friends' cost of using the equipment is not taken into account. Conversely, without adjustment, the cost of rent is overstated by \$3,000 paid in advance for part of next year's rent.

With adjustments, we get an accurate measure of a company's operating performance and future operating cash flows. Similar adjustments are made for the assessment of assets and liabilities as shown in the case.



"The case at the beginning of each chapter is very captivating. After I read the case, I wanted to get paper and pencil and answer the questions."

—Carol Shaver, *Louisiana Tech University*

Decision Makers' Perspective

Cash often is referred to as a *nonearning* asset because it earns no interest. For this reason, managers invest idle cash in either cash equivalents or short-term investments, both of which provide a return. Management's goal is to hold the minimum amount of cash necessary to conduct normal business operations, meet its obligations, and take advantage of opportunities. Too much cash reduces profits through lost returns, while too little cash increases risk. This trade-off between risk and return is an ongoing choice made by management (internal decision makers). Whether the choice is made by investors and creditors (external decision makers) is another matter.

A company must have cash available for its operations as well as for planned investing, and financing cash flows. However, to meet its obligations, a company needs an adequate cushion. The size of the cushion depends on the company's risk and the availability of financing.



"This is an excellent feature of the book. It is so important to know why and how information is used and not just memorizing the 'right' answers."

—Jeff Mankin, *Lipscomb University*



Easy to Use. Proven Effective.

McGraw-Hill **CONNECT**® **ACCOUNTING**

McGraw-Hill *Connect Accounting* is a digital teaching and learning environment that gives students the means to better connect with their coursework, with their instructors, and with the important concepts that they will need to know for success now and in the future. With *Connect Accounting*, instructors can deliver assignments, quizzes and tests easily online. Students can review course material and practice important skills.

Connect Accounting provides all the following features:

- SmartBook and LearnSmart
- Auto-graded online homework
- Powerful learning resources including guided examples to pinpoint and connect key concepts for review.

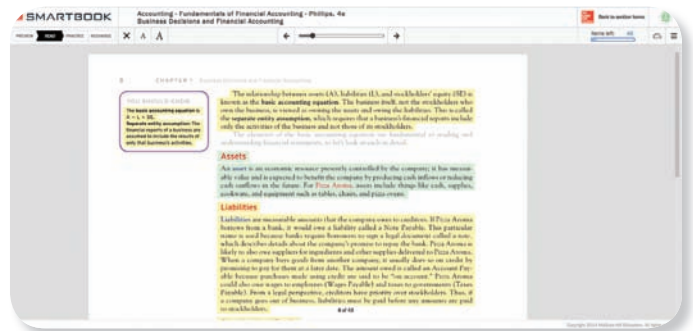
In short, *Connect Accounting* offers students powerful tools and features that optimize their time and energy, enabling them to focus on learning.

SMARTBOOK, POWERED BY LEARNSMART



LearnSmart® is the market-leading adaptive study resource that is proven to strengthen memory recall, increase class retention, and boost grades. LearnSmart allows students to study more efficiently because they are made aware of what they know and don't know.

SmartBook, which is powered by LearnSmart, is the first and only adaptive reading experience designed to change the way students read and learn. It creates a personalized reading experience by highlighting the most impactful concepts a student needs to learn at that moment in time. As a student engages with SmartBook, the reading experience continuously adapts by highlighting content based on what the student knows and doesn't know. This ensures that the focus is on the content he or she needs to learn, while simultaneously promoting long-term retention of material. Use SmartBook's real-time reports to quickly identify the concepts that require more attention from individual students—or the entire class. The end result? Students are more engaged with course content, can better prioritize their time, and come to class ready to participate.



"Using *Connect Accounting* and *LearnSmart* is great in any class, but really enhances online and hybrid sections. We are having better success with our online and hybrid classes as a result of having these tools available to us."

—Patti Lopez, Valencia College

Tailored to You.

ONLINE ASSIGNMENTS

Connect Accounting helps students learn more efficiently by providing feedback and practice material when they need it, where they need it. *Connect* grades homework automatically and gives immediate feedback on any questions students may have missed. Our assignable, gradable end-of-chapter content includes a general journal application that looks and feels more like what you would find in a general ledger software package. Also, select questions have been redesigned to test students' knowledge more fully. They now include tables for students to work through rather than requiring that all calculations be done offline.

M2-10 Preparing Journal Entries [LO 3]

The following are the transactions of Spotlighter, Inc., for the month of January 2013:

- Borrowed \$3,940 from a local bank on a note due in six months.
- Received \$4,630 cash from investors and issued stock to them.
- Purchased \$1000 in equipment, paying \$200 cash and promising the rest on a note due in one year.
- Paid \$300 cash for supplies.
- Bought and received \$700 of supplies on account.

Prepare journal entries for each transaction. (If no entry is required for a transaction/event, select "No Journal Entry Required" in the first account field.)

view transaction list view general journal

Journal Entry Worksheet

Record the borrowing of \$3,940 from a local bank on a note due in six months.

Transaction	General Journal	Debit	Credit
a	Cash	3,940	
	Notes Payable (long-term)		
	Notes Payable (short-term)		
	Notes Receivable		
	Other Noncurrent Assets		

*Enter debits before credits

done clear transaction record transaction

GUIDED EXAMPLES

The guided examples in *Connect Accounting* provide a narrated, animated, step-by-step walk-through of select exercises in *Intermediate Accounting* similar to those assigned. These short presentations can be turned on or off by instructors and provide reinforcement when students need it most.

Guided Example

b. Borrowed \$35,000 cash from a bank and signed a note due in two years.

Assets		=	Liabilities		+ Stockholders' Equity
Cash	Equipment		Accounts Payable	Notes Payable	Contributed Capital
Reg.	0	=	0	0	0
(b)	+35,000	=		+35,000	

General Journal

Date	Account Titles	Debit	Credit
b.	dr Cash (+A)	35,000	
	cr Notes Payable (+L)		35,000

General Ledger

Assets		=	Liabilities		+ Stockholders' Equity
dr +	Cash		cr -		
b.	35,000				

In the T-accounts, this entry is posted as a debit to Cash and as a credit to Notes Payable for \$35,000.

"Great for an online class [and] for students that need the extra help in learning a process."

—Terry Elliott, Morehead State University

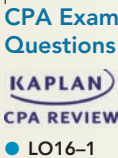
CPA Simulations

Kaplan CPA Exam Simulations allow students to practice intermediate accounting concepts in a web-based environment similar to that used in the actual CPA exam. There will be no hesitation or confusion when your students sit for the real exam: they'll know exactly what they need to do.



CPA and CMA Review Questions—Now Available in *Connect Accounting*!

A CPA and CMA Review Questions section includes multiple-choice questions adapted from a variety of sources including questions developed by the AICPA Board of Examiners and those used in the Kaplan CPA Review Course to prepare for the CPA examination and focus on the key topics within each chapter, permitting quick and efficient reinforcement of those topics as well as conveying a sense of the way the topics are covered in the CPA exam. Also, a special section of multiple-choice questions illustrates coverage of IFRS. The CMA questions are adapted from questions that previously appeared on Certified Management Accountant (CMA) exams.



CPA Exam Questions

KAPLAN


CPA REVIEW

● LO16-1

CPA and CMA Review Questions

The following questions are adapted from a variety of sources including questions developed by the AICPA Board of Examiners and those used in the Kaplan CPA Review Course to prepare for the CPA examination. Determine the response that best completes the sentence.

1. Scott Corp. received cash of \$20,000 that was included in revenue. \$12,000 will not be taxable until 2017. Scott's enacted tax rate is 30%. The amount should Scott report in its 2016 balance sheet for deferred tax liability is:
 - a. \$2,000



"Intermediate Accounting is current, complete, well written, and highly detailed. It belongs in the library of anyone who is preparing for the CPA exam."

—Barbara K. Parks, American Intercontinental University—Online

STUDENT RESOURCE LIBRARY

The *Connect Accounting* Student Resources give students access to additional resources such as recorded lectures, online practice materials, quizzes, Excel templates, alternative exercises and problems, an eBook, and more.

OTHER STUDENT SUPPLEMENTS

Study Guide

Volume 1: ISBN-13: 9780078095276 (MHID: 0078095271)

Volume 2: ISBN-13: 9780078127403 (MHID: 0078127408)

The Study Guide, written by the text authors, provides chapter summaries, detailed illustrations, and a wide variety of self-study questions, exercises, and multiple-choice problems (with solutions).

Understanding Corporate Annual Reports

Seventh Edition, by William R. Pasewark

ISBN-13: 9780073526935 (ISBN-10: 0073526932)

This project provides students with instruction for obtaining an annual report from a publicly traded corporation and for making an industry or competitor comparison.

McGRAW-HILL *CONNECT* ACCOUNTING FEATURES

Connect Accounting offers powerful tools, resources, and features to make managing assignments easier, so faculty can spend more time teaching.

SIMPLE ASSIGNMENT MANAGEMENT AND SMART GRADING

With *Connect Accounting*, creating assignments is easier than ever, so instructors can spend more time teaching and less time managing.

- Create and deliver assignments easily with selectable end-of-chapter questions and test bank items.
- Have assignments scored automatically, giving students immediate feedback on their work and side-by-side comparisons with correct answers.
- Access and review each response; manually change grades or leave comments for students to review.
- Reinforce classroom concepts with practice assignments, instant quizzes, and exams.

POWERFUL INSTRUCTOR AND STUDENT REPORTS

Connect Accounting keeps instructors informed about how each student, section, and class is performing, allowing for more productive use of lecture and office hours. The progress-tracking function enables you to:

- View scored work immediately and track individual or group performance with assignment and grade reports.
- Access an instant view of student or class performance relative to learning objectives.
- Collect data and generate reports required by many accreditation organizations, such as AACSB and AICPA.



Assignment Results

Use the options below to view assignment scores.

Show: Assignment Results

Select the checkboxes in columns you want to export or print.

Learn how to export these results into Blackboard or Blackboard Vista

Student	Total 710 pts	Chapter 2 Practice 150 pts	Chapter 2 Homework 50 pts	Chapter 2 Quiz 100 pts	Chapter 3 LearnSmart 100 pts
Adams, Nikki	691.65	145.90 (97.27 %)	49.23 (98.46 %)	100.00 (100.00 %)	100.00 (100.00 %)
Angie, Mark	429.90	82.80 (55.20 %)	25.00 (50.00 %)	70.00 (70.00 %)	100.00 (100.00 %)
Banks, Gideon	601.92	131.60 (87.73 %)	21.22 (42.44 %)	90.00 (90.00 %)	100.00 (100.00 %)
Bass, Malik	697.60	148.00 (98.67 %)	50.00 (100.00 %)	100.00 (100.00 %)	100.00 (100.00 %)
Bell, George	524.30	102.90 (68.60 %)	25.00 (50.00 %)	70.00 (70.00 %)	100.00 (100.00 %)
Bhaisahab, Janam	615.00	130.00 (86.67 %)	43.00 (86.00 %)	90.00 (90.00 %)	100.00 (100.00 %)
Birnbaum, Bill	620.00	130.00 (86.67 %)	40.00 (80.00 %)	90.00 (90.00 %)	100.00 (100.00 %)
Brown, Basil	649.71	125.00 (83.33 %)	44.71 (89.42 %)	100.00 (100.00 %)	100.00 (100.00 %)
Castaldo, Irene	610.00	130.00 (86.67 %)	40.00 (80.00 %)	90.00 (90.00 %)	100.00 (100.00 %)



Student performance

Look up a student to view performance reports:

Look in all sections of this course (including those shared with colleagues)

Smith, Clark

Submitted assignments results Assignments in progress

Assignments	Score	Started	Show: All assignments	Export to Excel	Time spent (hrs:00)	Date scored
Chapter 2 LearnSmart Total Value (Points): 100.00, Average Score: 0.00 (0.00%)						
Attempt 1	0.00 (0.00%)	10/14/15 12:06AM EDT			0:00	10/14/15 12:06AM EDT
Chapter 2 Practice Total Value (Points): 150.00, Average Score: 145.90 (97.27%)						
Attempt 1	145.90 (97.27%)	10/13/15 05:41AM EDT			0:11	10/14/15 11:25AM EDT
Chapter 2 Homework Total Value (Points): 50.00, Average Score: 49.23 (98.46%)						
Attempt 1	49.23 (98.46%)	10/13/15 09:54AM EDT			0:09	
Chapter 2 Quiz Total Value (Points): 100.00, Average Score: 100.00 (100.00%)						
Attempt 1	100.00 (100.00%)	10/13/15 06:03AM EDT			0:06	
Chapter 3 LearnSmart Total Value (Points): 100.00, Average Score: 100.00 (100.00%)						
Attempt 1	100.00 (100.00%)	10/13/15 06:18AM EDT			0:07	10/13/15 06:48AM EDT
Chapter 3 Practice Total Value (Points): 150.00, Average Score: 140.00 (93.33%)						
Attempt 1	140.00 (93.33%)	10/13/15 06:10AM EDT			0:10	
Chapter 3 Homework Total Value (Points): 50.00, Average Score: 50.00 (100.00%)						
Attempt 1	50.00 (100.00%)	10/13/15 06:21AM EDT			0:07	
Chapter 3 Quiz Total Value (Points): 100.00, Average Score: 100.00 (100.00%)						
Attempt 1	100.00 (100.00%)	10/13/15 06:26AM EDT			0:08	

* Submitted past due date * Extension # Not yet graded

Students like the flexibility that *Connect* offers. It has made a major difference in the student athletes' participation and performance. They can complete their work and catch up on lectures anytime and anywhere.

—Professor Lisa McKinney, M.T.A., CPA, University of Alabama

CONNECT INSIGHT

The first and only analytics tool of its kind, Connect Insight™ is a series of visual data displays—each framed by an intuitive question—to provide at-a-glance information regarding how your class is doing.

Connect Insight™ provides a quick analysis on five key insights, available at a moment's notice from your tablet device.

- How are my students doing?
- How is my section doing?
- How is this student doing?
- How are my assignments doing?
- How is this assignment going?

INSTRUCTOR LIBRARY

The *Connect Accounting* Instructor Library is a repository for additional resources to improve student engagement in and out of class. You can select and use any asset that enhances your lecture. The *Connect Accounting* Instructor Library includes

- Presentation slides
- Animated PowerPoint exercises
- Solutions manual
- Test bank
- Instructor's resource manual
- Instructor Excel templates. Solutions to the student Excel Templates used to solve selected end-of-chapter exercises and problems. These assignments are designated by the Excel icon.

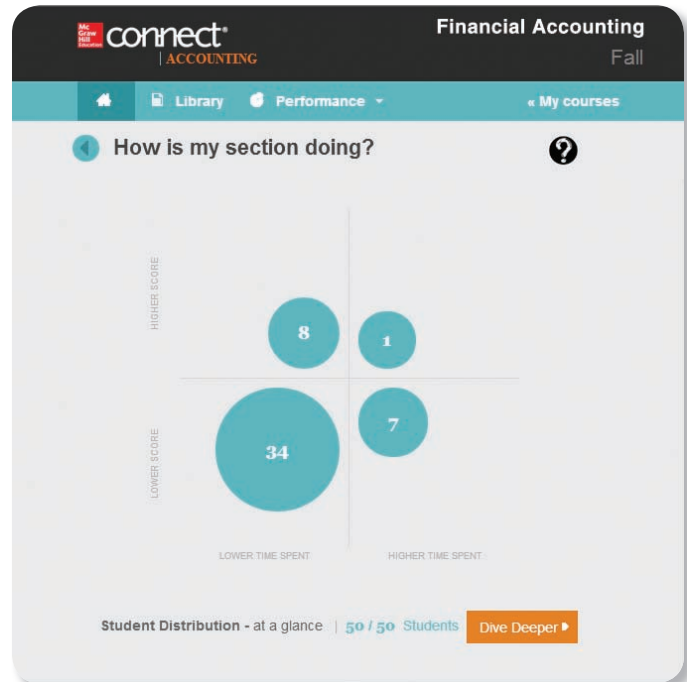


The *Connect Accounting* Instructor Library also allows you to upload your own files.

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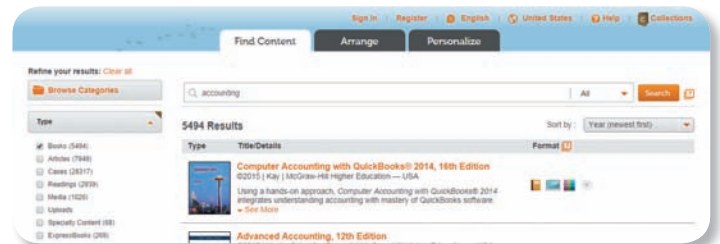
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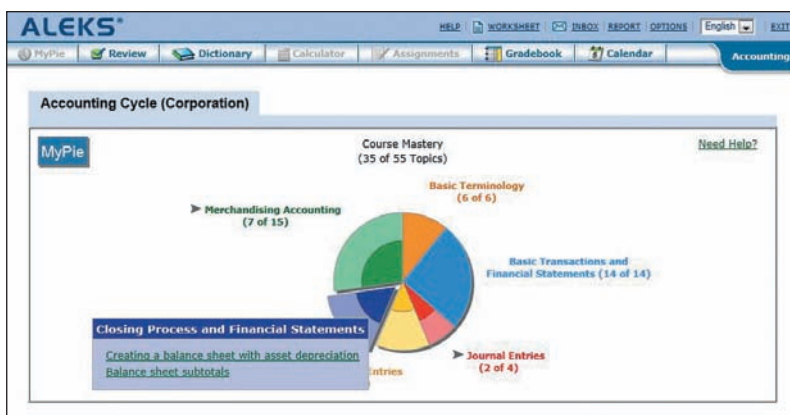
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What's New in the Eighth Edition?

Revising a program as successful as *Intermediate Accounting* takes careful consideration and a strong vision of what a textbook and digital solution should be. New features aren't piled on for their own sake; the Spiceland team only implements changes that constitute real improvements that have been identified through extensive research with users. The result is a program that never loses its original strengths as it gains in usefulness and flexibility with each revision.

Pervasive changes throughout the program include updating and revising all real-world illustrations, amounts and discussions involving Dell to PetSmart; revising the Air France-KLM IFRS case to reflect financial statements for the year ended December 31, 2013; and updating and revising all real-world illustrations, amounts and discussions involving other companies in the text and end-of-chapter material.

Chapter 1

ENVIRONMENT AND THEORETICAL STRUCTURE OF FINANCIAL ACCOUNTING

- Changed opening case to introduce PetSmart, and featured PetSmart throughout chapter.
- Updated discussion of the convergence process to reflect latest SEC reports and decisions.
- Included Additional Consideration box introducing the Private Company Council and private company exceptions to GAAP.
- Modified the discussion of financial reporting concepts to reflect the new revenue recognition standard.
- Added Where We're Headed box to discuss the FASB's exposure draft on disclosure.
- Revised Real World Case to show current financial statements from The Gap, Inc.

Chapter 2

REVIEW OF THE ACCOUNTING PROCESS

- Added assignment materials on adjusting entries.

Chapter 3

THE BALANCE SHEET AND FINANCIAL DISCLOSURES

- All real-world illustrations, amounts, and discussion throughout involving other companies were updated to include most recent amounts.
- Revised the section on usefulness and limitations of the balance sheet.
- Revised the section on classification of balance sheet elements—assets, liabilities, and equity.

- Redesigned Illustration 3–1 to show basic elements and their subclassifications.
- Redesigned Illustration 3–2 to make the flow of the operating cycle more apparent.
- Expanded the discussion of restricted cash in the section on cash and cash equivalents.
- Updated the Where We're Headed box on the FASB's Financial Statement Presentation project.
- Updated references throughout to AICPA Professional Standards related to auditor's responsibilities with respect to financial statements.
- Replaced term "irregularities" with "fraud" in the section on noteworthy events and transactions and in the glossary.
- Modified the appendix on reporting segment information to include real-world analyses of Abbott Laboratories, Inc.
- Modified Ethics Case 3–16 to include geographic disclosure of operations in politically sensitive areas and in tax haven areas.

Chapter 4

THE INCOME STATEMENT, COMPREHENSIVE INCOME, AND THE STATEMENT OF CASH FLOWS

- Revised the chapter and assignment materials to incorporate the change in GAAP eliminating the extraordinary item classification.
- Revised the section on discontinued operations to reflect the new FASB Accounting Standards Update.
- Moved the Interim Reporting Appendix from Chapter 5 to Chapter 4 for better placement.
- Added assignment materials on operating versus nonoperating income and the indirect method of presenting cash

flows from operating activities in the statement of cash flows.

- Added a PetSmart Analysis Case related to income statement information.

Chapter 5

REVENUE RECOGNITION AND PROFITABILITY ANALYSIS

- Created Parts A and B to provide comprehensive coverage of the new revenue recognition standard. Part A introduces revenue recognition at a point in time, over a period of time, and for contracts with multiple performance obligations. Part B provides in-depth coverage of the five-step revenue recognition process and how it relates to various common sales arrangements.
- Created all new assignment material to support coverage of the new revenue recognition standard.
- Modified coverage of long-term contracts, and included that material as Part C.
- Modified profitability analysis discussion to analyze Costco and Walmart, and included that material as Part D.
- Created an Appendix that covers GAAP that is superseded by the new revenue recognition standard, including installment and cost-recovery methods, accounting for software and other multiple-element contracts, and accounting for franchises.

Chapter 6

TIME VALUE OF MONEY CONCEPTS

- Replaced the introductory Financial Reporting Case to feature the role of the time value of money on Powerball winnings.
- Enhanced explanations throughout the chapter on the distinction between interest rates and discount rates.

We received an incredible amount of feedback prior to writing the eighth edition of *Intermediate Accounting*. The following list of changes and improvements is a testament to our users and their commitment to making *Intermediate Accounting* the best book of its kind.

- Added an Additional Consideration box that considers the effect of the time value of money when a customer prepaids for a purchase rather than buying on credit.
- Revised Real World Case related to zero-coupon bonds of Johnson & Johnson.
- Added a Real World Case dealing with the present value of Southwest Airline's leases.

Chapter 7

CASH AND RECEIVABLES

- Revised accounts receivable analysis of Symantec Corp. and CA, Inc.
- Revised coverage of sales discounts and sales returns to reflect new revenue recognition standard and supported that coverage with new assignment materials.
- Added coverage of long-term notes receivable to complement existing coverage of short-term notes receivable and supported that coverage with new assignment materials.
- Added Where We're Headed boxes discussing the FASB and IASB projects concerning impairment of notes receivable, providing shorter coverage in the text and a numerical example in Appendix 7B.
- Revised Real World cases considering Nike and Del Monte v. Smithfield.

Chapter 8

INVENTORIES: MEASUREMENT

- Added assignment materials on LIFO liquidation and dollar-value LIFO.
- Added a PetSmart Analysis Case related to inventory method and ratio analysis.

Chapter 9

INVENTORIES: ADDITIONAL ISSUES

- Revised the chapter and assignment materials to incorporate the change in GAAP that now requires inventory to be valued at the lower of cost and net realizable value.
- Revised the section on changes in inventory method for greater clarity.

Chapter 10

PROPERTY, PLANT, AND EQUIPMENT AND INTANGIBLE ASSETS: ACQUISITION AND DISPOSITION

- Added an Additional Consideration box on contract acquisition costs to reflect the new Accounting Standards Update on revenue recognition.
- Added assignment materials on interest capitalization, research and development, and software development costs.
- Added a PetSmart Analysis Case related to the reporting of property, plant, and equipment and intangible assets.

Chapter 11

PROPERTY, PLANT, AND EQUIPMENT AND INTANGIBLE ASSETS: UTILIZATION AND IMPAIRMENT

- Added an Additional Consideration box on the new Accounting Standards Update on the subsequent measurement of goodwill for private companies.
- Added a Concept Review Exercise that covers impairment of property, plant, and equipment and goodwill.
- Added a Trueblood Accounting Case that deals with the measurement of impairment losses for property, plant, and equipment.
- Added a PetSmart Analysis Case related to depreciation and amortization.

Chapter 12

INVESTMENTS

- Revised opening financial reporting case
- Replaced the Where We're Headed Supplement with Where We're Headed boxes discussing the FASB and IASB projects concerning classification, measurement and impairment of investments.
- Added new assignment material on IFRS treatment of investments.
- Added new assignment material on equity method.
- Revised assignment material with real-world cases involving Intel, Unilever, and Microsoft.

Chapter 13

CURRENT LIABILITIES AND CONTINGENCIES

- Added Additional Consideration box to provide coverage on accounting for interest on advanced collections from customers, as required in the new revenue recognition standard.
- Revised coverage of warranties to be consistent with new revenue recognition standard.
- Added Additional Consideration box detailing coverage of rebates, premiums and coupons to be consistent with new revenue recognition standard.
- Added new assignment material with respect to contingent liabilities and unasserted claims.
- Revised assignment material with real-world cases involving Dow Chemical, Morgan Stanley, PetSmart, AU Optronics, B Communications LTD.
- Added Trueblood Accounting Cases involving loss contingencies for litigation and subsequent events.

Chapter 14

BONDS AND LONG-TERM NOTES

- Added an illustration of Microsoft's disclosure of debt payment commitments.
- Revised illustration of Pepsi and Coca Cola and the related financial statement analysis comparing their debt-equity ratios, return on assets, return on equity, and interest coverage.
- Added an example of Lakeland Bancorp's gain on early extinguishment of debt.
- Revised the section describing the fair value option to reflect the FASB's new requirement to report related gains and losses in other comprehensive income. Also revised related assignment material.
- Revised Appendix A on When Bonds are Issued between Interest Dates to include bonds issued at a discount between interest dates as well as related assignment material.
- Added assignment material on notes issued for cash from the borrower's and lender's perspectives, notes issued for a noncash asset from the lender's perspective, installment notes from the lender's perspective, and an IFRS-based problem on transaction costs.

- Revised Problem focusing on Microsoft's zero coupon notes and the FASB codification system.
- Revised Real World Cases involving Hewlett-Packard's zero coupon notes, Walmart's stock option plan.
- Added a Real World Case dealing with analyzing PetSmart's financial statements

Chapter 15

LEASES

- Revised illustration of leased asset disclosure by Kroger.
- Added an illustration of Hewlett-Packard's disclosure of using leases to sell products.
- Added an illustration of Walmart's disclosure of lease payments.
- Revised an illustration of IBM's disclosure of sales-type leases.
- Revised an illustration of Walmart's disclosure of lease payment commitments and capitalizing operating leases.
- Revised Brief Exercise focusing on Sonic Corporation's net investment in leases.
- Added an Analysis Case designed to see the financial statement effects of capitalizing PetSmart's operating leases.
- Revised a Walmart Real World Case involving lease concepts.
- Added Trueblood Accounting Cases dealing with the lease classification issues.
- Extensively revised the Where We're Headed Chapter Supplement on the proposed lease accounting standards update as well as all the related assignment materials.

Chapter 16

ACCOUNTING FOR INCOME TAXES

- Revised numerical illustrations to highlight relationships and provide T-accounts.
- Added Shoe Carnival real-world example to show how to extract summary tax journal entry from disclosure notes and how to tie that entry to changes in deferred tax accounts.

- Added Additional Consideration box for accounting for taxes on unrepatriated foreign earnings.
- Added Additional Consideration providing a template for applying the balance-sheet focus of tax accounting.
- Revised assignment material with real-world cases involving Delta Air Lines, Ford Motor Company, Dominion Resources, Walmart, Kroger, and Macy's.
- Added Trueblood case involving valuation allowances against deferred tax assets.
- Revised Air France-KLM IFRS case.

Chapter 17

PENSIONS AND OTHER POSTRETIREMENT BENEFIT PLANS

- Revised illustration of Microsoft's 401K plan disclosure.
- Added an illustration of General Mills' disclosure of the components of pension expense.
- Enhanced the example of amortizing prior service cost and net gains and losses.
- Revised Problem focusing on Toys "R" Us's pension plan.
- Added a Real World Case involving PetSmart's pension plan.

Chapter 18

SHAREHOLDERS' EQUITY

- Replaced the introductory Financial Reporting Case to feature MasterCard's share-based compensation plans.
- Enhanced the discussion of stock splits and included Apple Inc.'s rare 7-for-1 stock split.
- Added an illustration of Abercrombie & Fitch's disclosure of shareholders' equity.
- Revised Brief Exercise focusing on Microsoft's cash dividends.
- Added an Exercise dealing with Ford Motor Company's buyback of stock to offset stock grant issued to executives.
- Revised Problem focusing on Cisco System's reporting of shareholders' equity.

- Revised Research Case related to the FASB codification system and Cisco System's reporting of comprehensive income.

Chapter 19

SHARE-BASED COMPENSATION AND EARNINGS PER SHARE

- Added extensive discussion of accounting for restricted stock units (RSUs), now the most popular form of share-based compensation.
- Added an illustration of Apple Inc.'s disclosure of restricted stock units.
- Revised illustration of restricted stock accounting to include restricted stock units.
- Revised the section describing the declining popularity of stock options to emphasize the role of restricted stock units in that decline.
- Revised the Additional Consideration box for the effect of the actual exercise of stock options in EPS calculations.
- Added a discussion of including the effect of restricted stock units (RSUs) in EPS calculations.
- Added an illustration of Foundation Healthcare Inc.'s EPS disclosure.
- Added to Appendix B a discussion and illustration of accounting for restricted stock units (RSUs that are payable in cash and treated as a liability).
- Added a brief exercise and three exercises (including one based on Facebook) dealing with accounting for restricted stock units.
- Revised a Real World Case involving Walmart's stock option plan.
- Added a Trueblood Accounting Case dealing with the accounting treatment for different aspects of a share-based payment awards.
- Added Real World Cases involving PetSmart's restricted stock awards and employee stock purchase plan; Best Buy's EPS and antidilutive securities; Kaman Corporation's reporting of EPS and discontinued operations.
- Revised an Analysis Case involving AIG's earnings per share.
- Added an Analysis Case involving PetSmart's earnings per share.
- Revised a Research Case involving Kellogg's EPS, PE ratio, and dividend payout ratio.

Chapter 20

ACCOUNTING CHANGES AND ERROR CORRECTIONS

- Added an Abercrombie & Fitch illustration of disclosure of a change in inventory methods.
- Added Barnes & Noble illustration of a correction of an error.

Chapter 21

STATEMENT OF CASH FLOWS REVISITED

- Enhanced the discussion of accounting for gains and losses on cash equivalent transactions.

- Added a CVS Caremark Corp illustration of presenting cash flows from operating activities by the direct method.
- Added a Toys “R” Us illustration of presenting cash flows from operating activities by the indirect method.
- Added a Trueblood Accounting Case involving presentation issues related to the statement of cash flows.
- Added a PetSmart Real World Case involving presentation issues related to a disparity between net income and cash flows.
- Revised a Research Case involving researching the way cash flows are reported.
- Added a PetSmart Analysis Case for using free cash flows to analyze cash flow information.

- Revised an IFRS Case involving British Telecommunications.

Appendix A

Derivatives

- Added a discussion of the immense size of the derivatives market and the danger that size poses for the global financial system.
- Added an Additional Consideration box on the new Accounting Standards Update on private company accounting for derivatives and hedging.
- Revised a Real World Case related to the Chicago Mercantile Exchange.
- Revised a Johnson & Johnson Real World Case on hedging transactions.

Acknowledgments

Intermediate Accounting is the work not just of its talented authors, but of the more than 625 faculty reviewers who shared their insights, experience, and opinions with us. Our reviewers helped us to build *Intermediate Accounting* into the very best learning system available. A blend of Spiceland users and nonusers, these reviewers explained how they use texts and technology in their teaching, and many answered detailed questions about every one of Spiceland's 21 chapters. The work of improving *Intermediate Accounting* is ongoing—even now, we're scheduling new symposia and reviewers' conferences to collect even more opinions from faculty.

We want to recognize the valuable input of all those who helped guide our developmental decisions for the eight edition.

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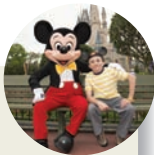
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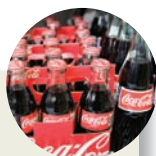
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