



Financial Accounting

16TH EDITION

Williams
Haka
Bettner
Carcello

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Financial Accounting

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FINANCIAL ACCOUNTING, SIXTEENTH EDITION

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To Ben and Meg Wishart and Asher, Lainey, and
Lucy Hunt, who have taught me the joys of being a
grandfather.

—Jan R. Williams

For Cliff, Abi, and my mother, Fran.

—Susan F. Haka

To my parents, Fred and Marjorie.

—Mark S. Bettner

To Terri, Stephen, Karen, and Sarah, whose
sacrifices enabled me to participate in writing this
book. Thank you—I love you!

—Joseph V. Carcello

Meet the Authors



Jan R. Williams is Dean and Professor Emeritus of the College of Business Administration at the University of Tennessee—Knoxville, where he has been a faculty member since 1977. He received a BS degree from George Peabody College, an MBA from Baylor University, and a PhD from the University of Arkansas. He previously served on the faculties at the University of Georgia and Texas Tech University. A CPA in Tennessee and Arkansas, Dr. Williams is also the coauthor of three books and has published over 70 articles on issues of corporate financial reporting and accounting education.

He served as president of the American Accounting Association in 1999–2000 and has been actively involved in Beta Alpha Psi, the Tennessee Society of CPAs, the American Institute of CPAs, and AACSB International—the Association to Advance Collegiate Schools of Business—the accrediting organization for business schools and accounting programs worldwide. He served as chair of the Board of Directors of AACSB International in 2011 through 2012. He retired from the University of Tennessee in 2013, and remains active in several business and accounting professional organizations.



Susan F. Haka is the Senior Associate Dean for Academic Affairs and Research in the Broad College of Business and the EY Professor of Accounting in the Department of Accounting and Information Systems at Michigan State University. Dr. Haka received her PhD from the University of Kansas and a master's degree in accounting from the University of Illinois. She served as president of the American Accounting Association in 2008–2009 and has previously served as president of the Management Accounting Section. Dr. Haka is active in editorial processes and has been editor of *Behavioral Research in Accounting* and an associate editor of *Journal of Management Accounting Research*, *Accounting Horizons*, *The International Journal of Accounting*, and *Contemporary Accounting Research*. Dr. Haka has been honored by Michigan State University with several teaching and research awards, including both the university-wide Teacher-Scholar and Distinguished Faculty awards. In 2012, Dr. Haka was honored with the Outstanding Accounting Educator Award from the American Accounting Association.

Mark S. Bettner is the Christian R. Lindback Chair of Accounting & Financial Management at Bucknell University. Dr. Bettner received his PhD in business administration from Texas Tech University and his MS in accounting from Virginia Tech University. In addition to his work on *Financial Accounting* and *Financial & Managerial Accounting*, he has written many ancillary materials, published in scholarly journals, and presented at academic and practitioner conferences. Professor Bettner is also on the editorial advisory boards of several academic journals, including the *International Journal of Accounting and Business Society* and the *International Journal of Business and Accounting*, and has served as a reviewer for several journals, including *Advances in Public Interest Accounting*, *Essays in Economics and Business History*, *Critical Perspectives on Accounting*, and *International Journal on Critical Accounting*. Professor Bettner also offers professional development courses for the Pennsylvania Bankers Association.



Joseph V. Carcello is the EY and Business Alumni Professor in the Department of Accounting and Information Management at the University of Tennessee. He also is the cofounder and executive director for UT's Corporate Governance Center. Dr. Carcello received his PhD from Georgia State University, his MAcc from the University of Georgia, and his BS from the State University of New York College at Plattsburgh. Dr. Carcello is currently the author or coauthor of three books, more than 60 journal articles, and five monographs. Dr. Carcello serves on the Public Company Accounting Oversight Board's (PCAOB) Investor Advisory Group, and he previously served three terms on the PCAOB's Standing Advisory Group. He has testified before committees and working groups of the U.S. Department of the Treasury on the future of the auditing profession and on the JOBS Act. Dr. Carcello has also testified before a subcommittee of the U.S. House of Representatives Financial Services Committee on accounting and auditing regulation. He served as a member of the COSO task force that developed guidance on applying COSO's internal control framework for smaller public companies. Dr. Carcello is active in the academic community—he serves as an editor of *Contemporary Accounting Research*, and serves on the editorial boards of *The Accounting Review*, *Auditing: A Journal of Practice & Theory*, *Accounting Horizons*, and *Contemporary Issues in Auditing*. Dr. Carcello has taught professional development programs for two of the Big Four accounting firms and for state CPA societies; conducted funded research for another Big Four firm, the AICPA, and the Center for Audit Quality; and served as an expert for the U.S. Securities and Exchange Commission and for private attorneys.





REACHING GREAT HEIGHTS BEGINS WITH A SOLID BASE

As our eyes are drawn upward to the skyline of great cities, it's important to remember that these impressive constructions are able to reach such heights only because their foundations are strong. In much the same way, being successful in the business world begins with fundamental courses like financial accounting. It is only when students have a firm grasp of concepts like the accounting cycle that they have a base on which to stand, a strong foundation on which to grow.

In this edition, as before, the Williams team has revised the text with a keen eye toward the principle of helping students establish the foundation they will need for future success in business. However, through new coverage of International Financial Reporting Standards and a revised globalization chapter, the Williams book also introduces students to larger themes and evolving concerns. This dual emphasis allows students to keep their eyes trained upward even as they become solidly grounded in accounting fundamentals.

The Williams book continues to rest on a bedrock of four key components:

Balanced Coverage. The 16th edition of Williams provides the most balanced coverage of financial topics on the market. By giving equal weight to financial topics, the authors emphasize the need for a strong foundation in accounting.

“**Excellent book!** Explains difficult subjects in easy-to-understand terms.”

Naser Kamleh, Wallace
Community College

Student Motivation. The Williams team has put together a market-leading student package that will not only motivate your students, but help you see greater retention rates in your accounting courses. Vital pieces of technology supplement the core curriculum covered in the book: McGraw-Hill *Connect Accounting* uses end-of-chapter material pulled directly from the textbook to create static and algorithmic questions that can be used for homework and practice tests; and the Online Learning Center provides supplemental tools for both students and instructors.

“The text is excellent. **I wish the texts had been this well written** when I was a student!”

Mark Anderson, Bob Jones University

Clear Accounting Cycle Presentation. In the first five chapters of *Financial Accounting*, the authors present the Accounting Cycle in a clear, graphically interesting four-step process. Central to this presentation is the dedication of three successive chapters to three key components of the cycle: recording entries (Chapter 3), adjusting entries (Chapter 4), and closing entries (Chapter 5). The Williams team places easy-to-read margin notes explaining each equation used in particular journal entries.

“This is a **well balanced textbook** that encompasses many issues, yet provides them in a precise, readable, and orderly fashion to students. The extent of the real-world examples makes this edition **clearly a superior choice.**”

Hossein Noorian,
Wentworth Institute

“This textbook is current and very interactive. It brings in excellent “real-world” applications for the students to use in applying the concepts. It has **excellent student and instructor resources.** Some of the resources would be especially valuable for instructors teaching online.”

Karen Mozingo, Pitt
Community College

Problem-Solving Skills. *Financial Accounting* challenges your students to think about real-world situations and put themselves in the role of the decision maker through Case in Point, Your Turn, and Ethics, Fraud, & Corporate Governance boxes. Students reference the Home Depot Financial Statements—included in the text as an appendix—to further hone problem-solving skills by evaluating real world financial data. The authors show a keen attention to detail when creating high-quality end-of-chapter material, such as the Critical Thinking Cases and Problems, ensuring that all homework is tied directly back to chapter learning objectives.

How Does Williams Help Students

Step-by-Step Process for the Accounting Cycle

Financial Accounting was the FIRST text to illustrate Balance Sheet and Income Statement transactions using the four-step process described below. This hallmark coverage has been further revised and refined in the 16th edition.

The Williams team breaks down the Accounting Cycle into three full chapters to help students absorb and understand this material: recording entries (Chapter 3), adjusting entries (Chapter 4), and closing entries (Chapter 5). Transactions are demonstrated visually to help students conquer recording transactions by showing the **four steps in the process**:

- 1 **Analysis**—shows which accounts are recorded with an increase/decrease.
- 2 **Debit/Credit Rules**—helps students to remember whether the account should be debited/credited.
- 3 **Journal Entry**—shows the result of the two previous steps.
- 4 **Ledger T-Accounts**—shows students what was recorded and where.

The Williams team puts the Accounting Equation ($A = L + OE$) in the margin by transaction illustrations to show students the big picture!

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Recording Balance Sheet Transactions: An Illustration

its balance sheet. The revenue and expense transactions that took place on January 31 will be addressed later in the chapter.

Each transaction from January 20 through January 27 is analyzed first in terms of increases in assets, liabilities, and owners' equity. Second, we follow the debit and credit rules for entering these increases and decreases in specific accounts. Asset ledger accounts are shown on the left side of the analysis; liability and owners' equity ledger accounts are shown on the right side. For convenience in the following transactions, both the debit and credit figures for the transaction under discussion are shown in *red*. Figures relating to earlier transactions appear in *black*.

Jan. 20 Michael McBryan and family invested \$80,000 cash in exchange for capital stock.

ANALYSIS The asset Cash is increased by \$80,000, and owners' equity (Capital Stock) is increased by the same amount.

DEBIT-CREDIT RULES Increases in assets are recorded by debits; debit Cash \$80,000. Increases in owners' equity are recorded by credits; credit Capital Stock \$80,000.

JOURNAL ENTRY

	Jan. 20		Cash	80,000		Capital Stock	80,000
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ENTRIES IN LEDGER ACCOUNTS

Cash	Capital Stock
1/20 80,000	1/20 80,000

Owners invest cash in the business

Assets	=	Liabilities + Owners' Equity
+\$80,000	=	+\$80,000

Jan. 21 Representing Overnight, McBryan negotiated with both the City of Santa Teresa and Metropolitan Transit Authority (MTA) to purchase an abandoned bus garage. (The city owned the land, but the MTA owned the building.) On January 21, Overnight Auto Service purchased the land from the city for \$52,000 cash.

ANALYSIS The asset Land is increased \$52,000, and the asset Cash is decreased \$52,000.

DEBIT-CREDIT RULES Increases in assets are recorded by debits; debit Land \$52,000. Decreases in assets are recorded by credits; credit Cash \$52,000.

JOURNAL ENTRY

	Jan. 21		Land	52,000		Cash	52,000
--	----------------	--	------------	--------	--	------------	--------

ENTRIES IN LEDGER ACCOUNTS

Land	Cash
1/21 52,000	1/20 80,000 1/21 52,000

Purchase of an asset for cash

Assets	=	Liabilities + Owners' Equity
+\$52,000	=	-\$52,000

Build a Strong Foundation?

Robust End-of-Chapter Material

Brief Exercises

LO3-1, LO3-2, LO3-5, LO3-9, LO3-10
BRIEF EXERCISE 3.1
 The Accounting Cycle

Listed below in *random order* are the eight steps comprising a complete accounting cycle:

- Prepare a trial balance.
- Journalize and post the closing entries.
- Prepare financial statements.
- Post transaction data to the ledger.
- Prepare an adjusted trial balance.
- Make end-of-period adjustments.
- Journalize transactions.
- Prepare an after-closing trial balance.

a. List these steps in the sequence in which they would normally be performed. (A detailed understanding of these eight steps is not required until Chapters 4 and 5.)

b. Describe ways in which the information produced through the accounting cycle is used by a company's management and employees.

LO3-3 through LO3-5 Record the following selected transactions in general journal form for Quantum Clinic, Inc.

Problem Set B

LO9-1 through LO9-3
PROBLEM 9.1B
 Determining the Cost

Smithfield Hotel recently purchased new exercise equipment for its exercise room. The following information refers to the purchase and installation of this equipment:

- The list price of the equipment was \$42,000; however, Smithfield qualified for a "special discount" of \$4,000.

COMPREHENSIVE PROBLEM

Susquehanna Equipment Rentals

A COMPREHENSIVE ACCOUNTING CYCLE PROBLEM

On December 1, 2015, John and Patty Driver formed a corporation called Susquehanna Equipment Rentals. The new corporation was able to begin operations immediately by pur-

Self-Test Questions

The answers to these questions appear on page 339.

- In general terms, financial assets appear in the balance sheet at:
 - Face value.
 - Current value.
- shows a balance of \$12,890 at the same date. The only reconciling items are the following:
 - Deposit in transit, \$890.
 - Bank service charge, \$24.
 - NSF check from customer Greg Denton in the amount of \$100.

ASSIGNMENT MATERIAL Discussion Questions

- In broad general terms, what is the purpose of accounting?
- Why is a knowledge of accounting terms and concepts useful to persons other than professional accountants?
- In general terms, what are revenues and expenses? How are they related in the determination of an enterprise's net income or net loss?
- What is meant by the terms *positive cash flows* and *negative cash flows*? How do they relate to revenues and expenses?
- What are the three categories commonly found in a statement of cash flows, and what is included in each category?
- What is meant by the statement that the financial statements *articulate*?

Demonstration Problem

Account balances for Crystal Auto Wash at September 30, 2015, are shown below. The figure for retained earnings is not given, but it can be determined when all the available information is assembled in the form of a balance sheet.

Accounts Payable	\$14,000	Land	\$68,000
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Critical Thinking Cases

LO7-1, LO7-6, LO7-7
CASE 7.1
 Accounting Principles

In each of the situations described below, indicate the accounting principles or concepts, if any, that have been violated and explain briefly the nature of the violation. If you believe the practice is *in accord* with generally accepted accounting principles, state this as your position and defend it.

- A small business in which credit sales fluctuate greatly from year to year uses the direct write-off method both for income tax purposes and in its financial statements.

LO7-1 through LO7-4, LO7-8
CASE 7.3
 "Improving" the Balance Sheet

Affections manufactures candy and sells only to retailers. It is not a publicly owned company and its financial statements are not audited. But the company frequently must borrow money. Its creditors insist that the company provide them with unaudited financial statements at the end of each quarter.

In October, management met to discuss the fiscal year ending next December 31. Due to a sluggish economy, Affections was having difficulty collecting its accounts receivable, and its cash position was unusually low. Management knew that if the December 31 balance sheet did not look good, the company would have difficulty borrowing the money it would need to boost production for Valentine's Day.

Thus the purpose of the meeting was to explore ways in which Affections might improve its December 31 balance sheet. Some of the ideas discussed are as follows:

LO10-8
EXERCISE 10.15
 Examining Home Depot's Capital Structure

To answer the following questions use the financial statements for Home Depot, Inc., in Appendix A at the end of the textbook.

- Compute the company's current ratio and quick ratio for the most recent year reported. Do these ratios provide support that Home Depot is able to repay its current liabilities as they come due? Explain.
- Compute the company's debt ratio. Does Home Depot appear to have excessive debt? Explain.
- Examine the company's statement of cash flows. Does Home Depot's cash flow from operating activities appear adequate to cover its current liabilities as they come due? Explain.

Problem Set A

Brief Exercises supplement the exercises with shorter, single-concept exercises that test the basic concepts of each chapter. These brief exercises give instructors more flexibility in their homework assignments.

An Alternate Problem Set provides students with even more practice on important concepts.

Six **Comprehensive Problems**, ranging from two to five pages in length, present students with real-world scenarios and challenge them to apply what they've learned in the chapters leading up to them.

Defined **Key Terms** and **Self-Test Questions** review and reinforce chapter material.

Demonstration Problems and their solutions allow students to test their knowledge of key points in the chapters.

Critical Thinking Cases and **Problems** put students' analytical skills to the test by having them think critically about key concepts from the chapter and apply them to business decisions. **TWO** sets of Problems and a full set of Exercises in EACH chapter give *Financial Accounting* the edge in homework materials.

Ethics Cases in each chapter challenge students to explore the ethical impact of decisions made in business.

The **2012 Home Depot Financial Statements** are included in Appendix A. Students are referred to key aspects of the 10-K in the text material and in end-of-chapter material to illustrate actual business applications of chapter concepts.



Ethical



Group Activities



Writing



Internet



International

The Williams Pedagogy Helps

➤ High-profile companies frame each chapter discussion through the use of dynamic **CHAPTER OPENER** vignettes. Students learn to frame the chapter's topic in a real-world scenario.

▼ **YOUR TURN** boxes challenge students with ethically demanding situations. They must apply what they've learned in the text to situations faced by investors, creditors, and managers in the real world.



YOUR TURN

You as a Financial Advisor

Assume that you are the financial advisor for a recently retired investor. Your client wants to invest her savings in such a way as to receive a stable stream of cash flow every year throughout her retirement. She has expressed concern to you regarding the volatility of long-term bond prices when interest rates fluctuate.

If your client invests her savings in a variety of long-term bonds and holds these bonds until maturity, will interest rate fluctuations affect her annual cash flow during her retirement years?

(See our comments on the Online Learning Center website.)

CHAPTER 2

Basic Financial Statements

AFTER STUDYING THIS CHAPTER, YOU SHOULD BE ABLE TO:

Learning Objectives

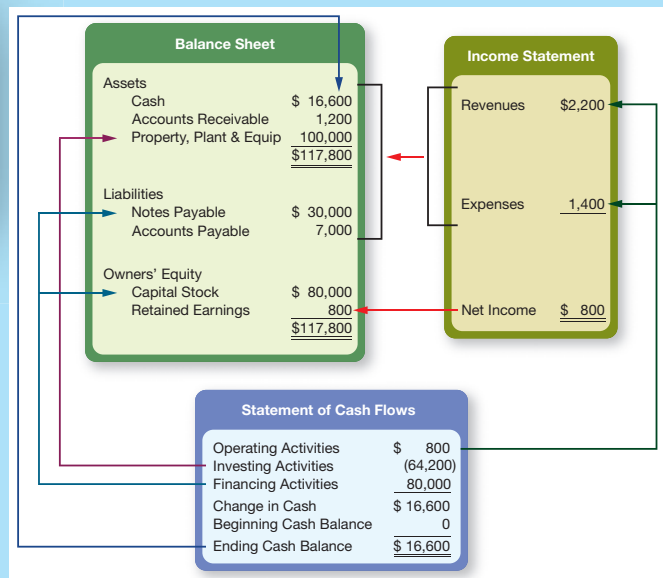
- LO2-1** Explain the nature and general purposes of financial statements.
- LO2-2** Explain certain accounting principles that are important for an understanding of financial statements and how professional judgment by accountants may affect the application of those principles.
- LO2-3** Demonstrate how certain business transactions affect the elements of the accounting equation: Assets = Liabilities + Owners' Equity.
- LO2-4** Explain how the statement of financial position, often referred to as the balance sheet, is an expansion of the basic accounting equation.
- LO2-5** Explain how the income statement reports an enterprise's financial performance for a period of time in terms of the relationship of revenues and expenses.
- LO2-6** Explain how the statement of cash flows presents the change in cash for a period of time in terms of the company's operating, investing, and financing activities.
- LO2-7** Explain how the statement of financial position (balance sheet), income statement, and statement of cash flows relate to each other.
- LO2-8** Explain common forms of business ownership—sole proprietorship, partnership, and corporation—and demonstrate how they differ in terms of their statements of financial position.
- LO2-9** Discuss the importance of financial statements to a company and its investors and creditors and why management may take steps to improve the appearance of the company in its financial statements.

"Lots of eye appeal and in-depth coverage.

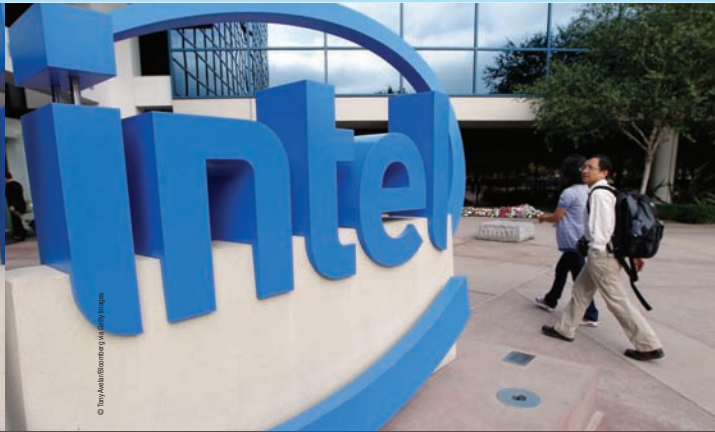
Students will love it."

James Specht, Concordia College

➤ **EXHIBITS** illustrate key concepts in the text.



Students Reach Great Heights



INTEL

Intel was created in 1968 with a vision of providing semiconductor memory products. By 1971, the company introduced the world's first microprocessor. Today Intel supplies the computing and communications industries with chips, boards, and systems building blocks that are the ingredients of computers and servers as well as networking and communications products. These industries use Intel's products to create advanced computing and communications systems. Intel states that its mission is to be the preeminent building block supplier in the worldwide Internet economy.

Technology-based companies like Intel operate in highly competitive markets and continuously introduce new products. In a recent corporate information communication on the company's website, management explains the importance of meeting the needs of

customers: "Our goal is to be the preeminent provider of semiconductor chips and platforms for the worldwide digital economy . . . We offer products at various levels of integration, to allow our customers flexibility in creating computing and communications systems. The substantial majority of our revenue is from the sale of microprocessors and chipsets."

Modern-day historians agree that we have moved from the industrial age to the information age. Companies like Intel, Microsoft, and Cisco Systems are major players in this transformation of business. Information-age companies rely more heavily on intellectual capital, research and development, and other intangibles that were less important for companies whose focus was heavy manufacturing or, even earlier in our history, primarily agricultural. ■

"Williams is a great text overall. It provides excellent and accurate coverage of the accounting principles curriculum. **Students like it better than any other text I have used.** A few years ago I was in a situation where I had to use a different text, since I took over a class for another teacher at the last minute. Students were getting the Williams text on their own and **I saw immediate improvement in their understanding and grades** across the board. Williams comes through again and again, where other texts fall hopelessly short."

Malcolm E White, Columbia College

CASE IN POINT



© Digital Vision/Alamy

How long does a building last? For purposes of computing depreciation expense, most companies estimate about 30 or 40 years. Yet the Empire State Building was built in 1931, and it's not likely to be torn down anytime soon. As you might guess, it often is difficult to estimate in advance just how long depreciable assets may remain in use.

▲ **CASE IN POINT** boxes link accounting concepts in the chapter to their use in the real world. These examples often present an international scenario to expose students to accounting practices around the world.



Ethics, Fraud, & Corporate Governance

A major outgrowth from the business failures amid allegations of fraudulent financial reporting discussed in the last chapter was the passage of the Sarbanes-Oxley Act of 2002. This Act was signed into law by President George W. Bush on July 30, 2002. The Sarbanes-Oxley Act (hereafter SOX or the Act) is generally viewed as the most far-reaching piece of securities legislation since the original Securities Acts were passed in the 1930s.

One of the major requirements of this legislation is for CEOs and CFOs to certify the accuracy of their company's financial statements. The CEOs and CFOs of all public companies must certify on an annual and quarterly basis that they (1) have reviewed their company's financial statements, (2) are not aware of any error or omission that would make the financial statements misleading, and (3) believe that the financial statements fairly present in all material respects the company's financial condition (balance sheet) and results of operations (income statement). There is some evidence that this certification requirement is affecting corporate behavior. For example, a former CFO of HealthSouth (Weston Smith, shown to the right) contacted federal authorities about the



© Gary Tramontina/Bloomberg via Getty Images
massive (alleged) accounting fraud at that company because he was not willing to certify that HealthSouth's financial statements were materially accurate.

◀ **ETHICS, FRAUD, & CORPORATE GOVERNANCE** boxes discuss the accounting scandals of recent years that have sparked such comprehensive legislation as Sarbanes-Oxley. The inclusion of EFCG boxes in each chapter offers instructors the opportunity to bring complex accounting and ethical issues into the classroom.

Leading Technology Extends Learning

MCGRAW-HILL CONNECT ACCOUNTING



Get *Connect Accounting*. Get Results.

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 practice important skills at their own pace and on their own schedule.

Online Assignments

Connect Accounting helps students learn more efficiently by providing feedback and practice material when they need it, where they need it. *Connect Accounting* grades homework automatically and gives immediate feedback on any questions students may have missed.

Intelligent Response Technology (IRT)

IRT is a redesigned student interface for our end-of-chapter assessment content. The benefits include improved answer acceptance to reduce students' frustration with formatting issues (such as rounding); and a general journal application that looks and feels more like you would find in a general ledger software package.

Student Library

The *Connect Accounting* Student Library gives students access to additional resources such as recorded lectures, online practice materials, an eBook, and more.

a. Prepare journal entries for the above transactions. (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

1 2 3 4 5 6 7 8 9 10

Record the purchase of office equipment on account; the amount due on June 15.

Date	General Journal	Debit	Credit
May 15	Cash	12,400	
	Accounts payable		12,400

*Enter debits before credits

[done](#) [clear transaction](#) [record transaction](#)

Prepare a balance sheet for the company.

KINER COMPANY			
Balance Sheet			
December 31, 2011			
Assets		Liabilities & Owners' Equity	
		Liabilities:	
Accounts payable	\$ 36,300	Notes payable	\$ 20,700
Accounts receivable	56,700	Accounts payable	43,800
		Total liabilities	\$ 64,500
		Owners' equity:	
Total	\$ 93,000	Total	\$ 64,500

Beyond the Classroom

MCGRAW-HILL CONNECT ACCOUNTING FEATURES

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

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

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- Access and review each response; manually change grades or leave comments for students to review.
- Reinforce classroom concepts with practice tests and instant quizzes.

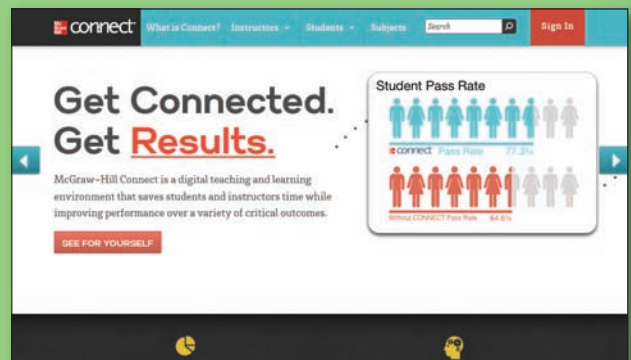
Student Reporting

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.

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 access to the eBook version of the text, slide presentations, Solutions Manual, Instructor's Manual, and Test Bank. The *Connect Accounting* Instructor Library also allows you to upload your own files.



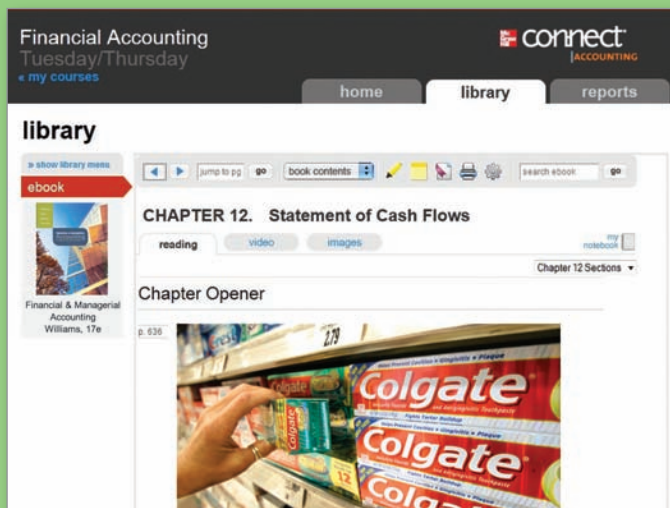
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What's New about the 16th Edition of *Financial Accounting*?

The following list of revisions is a testament to the enthusiastic response of dozens of reviewers who contributed their considerable expertise. In doing so they have helped make the 16th edition of *Financial Accounting* the best book of its kind.

Chapter 1:

- New chapter opener using **Hewlett-Packard**
- Updated Case in Point using **Sony**
- Briefly covered the new COSO framework on internal control (*Internal Control—Integrated Framework: 2013*)
- Briefly covered the SEC Report on incorporating IFRS into the financial reporting system for U.S. public companies
- Briefly discussed the managerial role of the chief accounting officer
- Extended the discussion of the importance of accounting for non-accounting majors in response to reviewer feedback
- Revised end-of-chapter material

Chapter 2:

- Updated chapter opener to include new data for **Intel**
- Added an explanation about the order in which assets are presented in the balance sheet and then revised the EOC material accordingly. This is a small but important change and one triggered by user input
- Revised end-of-chapter material

Chapter 3:

- Updated chapter opener to include new data for **Kraft Foods Group, Inc.**
- Updated in-chapter illustration to include new data for **Walmart**
- Updated and streamlined Ethics, Fraud, & Corporate Governance boxed feature
- Revised end-of-chapter material

Chapter 4:

- New chapter opener using **Royal Caribbean Cruises, LTD.**
- Updated in-chapter illustration to include new data for the **New York Times**
- Updated two Case in Point boxes
- Revised end-of-chapter material

Chapter 5:

- Updated chapter opener to include new data for **Best Buy**

- Incorporated a number of suggestions from adopters, including:
 - Providing a more detailed discussion of the closing process
 - Better articulating the relationship between the income statement and balance sheet
 - Introducing and briefly explaining a classified balance sheet
- Revised end-of-chapter material

Chapter 6:

- Updated chapter opener to include new data for **Saks, Inc.**
- Brief coverage of the SEC whistleblower “bounty” program under the Dodd-Frank Act in the EFCG case
- Revised end-of-chapter material

Chapter 7:

- New chapter opener using **Apple, Inc.**
- Wrote a new Ethics, Fraud, and Corporate Governance case based on SEC AAER #2673
- Added a new learning objective covering internal controls over accounts receivable based on reviewer suggestion
- Wrote a new International Case in Point based on IFRS No. 9
- Revised end-of-chapter material

Chapter 8:

- New chapter opener using **Belk, Inc.**
- Target illustration in text updated
- Revised end-of-chapter material including updating and replacing real company data
- Comprehensive Problem 2 refreshed

Chapter 9:

- Updated chapter opener to include new data for **United Parcel Service**
- Updated references to the financial statements of all real companies
- Revised end-of-chapter material

Chapter 10:

- New chapter opener using **Procter & Gamble Company**

- Significant revision within the chapter, both text and end-of-chapter material, to more reasonable (i.e., lower) interest rates to better reflect our current and projected economic climate
- Revised end-of-chapter material

Chapter 11:

- Updated chapter opener to include new data for **Target Corporation**
- Updated all real company references
- Revised end-of-chapter material

Chapter 12:

- New chapter opener using **Colgate-Palmolive**
- Briefly covered the new FASB standard on the reporting of comprehensive income, requiring either a combined statement of Income and Comprehensive Income or separate statements of Income and Comprehensive Income
- Revised end-of-chapter material

Chapter 13:

- New chapter opener using **Pepsi Co.**
- Revised end-of-chapter material

Chapter 14:

- Updated chapter opener to include new data for **Johnson & Johnson**
- Updated all real company references
- Revised end-of-chapter material

Chapter 15:

- Updated chapter opener on IASB and IFRS
- Updated Exhibit 15-1 to include changes of the number of multinational companies
- Updated Exhibits 15-4 through 15-7 for international changes and exchange rates
- Replaced Ethics, Fraud, & Corrupt Governance for more recent Foreign Corrupt Practices Act example
- Changed demonstration problem with more current exchange rates
- Revised end-of-chapter material

We are grateful . . .

We would like to acknowledge the following individuals for their help in developing some of the text's supplements: Barbara Muller, Arizona State University; LuAnn Bean, Florida Technical Institute; Helen Roybark, Radford University; Teri Zuccaro, Clarke University; Teresa Farough; and the team at ANSR Source.

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Sincerely,

Jan R. Williams, Susan F. Haka, Mark S. Bettner, and Joseph V. Carcello

Acknowledgments

Many of our colleagues reviewed *Financial Accounting*. Through their time and effort, we are able to continually improve and update the book to meet the needs of students and professors. We sincerely thank each of you for your valuable time and suggestions.

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