

ACCOUNTING PRINCIPLES

FOURTEENTH EDITION

weygandt
kimmel
mitchell

WILEY

Paul Kimmel's

Accounting Course Design

Paul Kimmel, co-author on several Wiley accounting titles, teaches at University of Wisconsin — Madison using Wiley's online course in a flipped-classroom format.



 **Wiley's online course was developed with the student experience in mind.**

See how Paul uses four key elements to focus his course on developing his students' success.



Guided Learning

EXAMPLE:

Paul customizes his learning path to highlight and structure pre-assignments, post-assignments and discussions, adaptive practice, exam practice, and quizzing.

The **flexible, linear learning path** enables you to control what your students see, when they see it, and in what order. This makes it very clear for students to understand what they're supposed to complete. This is especially vital for online classes. **Having a clear path to learn reduces the risk of "losing" students, keeping them engaged and on track in your course.**



Information Retention

EXAMPLE:

Paul assigns Interactive Tutorials ahead of pre-lecture assignments so students come to class ready to actively participate.

Interactive Tutorials provide students with a self-paced lecture walkthrough of the chapters. Broken into small chunks, students must respond to integrated questions correctly or exhaust attempts before moving on, enhancing the retention of information. **Trying to solve a problem before being taught the solution is frustrating but improves retention.**

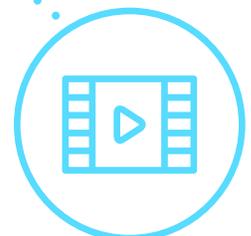


Continuous Practice

EXAMPLE:

Paul uses Adaptive Practice as a capstone activity at the end of each week to improve retention.

Adaptive Practice is a powerful learning tool that provides feedback, showing the areas students need to work on. **To improve learning, employ dynamic (adaptive) testing rather than static testing. Without feedback, students often overestimate their competence and don't see a need to try to improve.**



Just-in-Time Homework Help

EXAMPLE:

Paul assigns post-assignment problems supported by Solution Walkthrough Videos.

Solution Walkthrough Videos provide students with 24/7 just-in-time homework support and enable you to assign more difficult homework questions. **Longer, multi-learning objective problems with video support help students consolidate their understanding.**

Paul Kimmel's

Accounting Course Design



Course Design Suggestions from *Make It Stick**

- ✓ Trying to solve a problem before being taught the solution improves retention.
- ✓ Testing (active retrieval) doesn't just measure learning, it strengthens memory.
- ✓ Spaced "testing" results in greater retention.
- ✓ Providing feedback strengthens testing more than testing alone.

**Make It Stick*; Brown, Roediger, and McDaniel, 2014.

Considerations for a Flipped Classroom

Based on Paul Kimmel's course with two in-person lectures per week.

EXAMPLE WEEKLY SCHEDULE

SUNDAY	Online	Complete first pre-assignment. Due Monday before class.
MONDAY	In Class	Students do at least two exercises in class on blank sheet (i.e., conditions faced in a test).
TUESDAY	Online	Complete second pre-assignment. Due Wednesday before class.
WEDNESDAY	In Class	Students do at least two exercises in class on blank sheet.
THURSDAY/FRIDAY	Online	Complete post-assignment. Due Friday night.
FRIDAY/SATURDAY	Online	Complete adaptive practice assignment.

Curious to see Paul Kimmel's course for yourself?

Contact your local Wiley representative today to set up a demo!

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Account Classification and Presentation

Account Title	Classification	Financial Statement	Normal Balance
A			
Accounts Payable	Current Liability	Balance Sheet	Credit
Accounts Receivable	Current Asset	Balance Sheet	Debit
Accumulated Depreciation—Buildings	Plant Asset—Contra	Balance Sheet	Credit
Accumulated Depreciation—Equipment	Plant Asset—Contra	Balance Sheet	Credit
Advertising Expense	Operating Expense	Income Statement	Debit
Allowance for Doubtful Accounts	Current Asset—Contra	Balance Sheet	Credit
Amortization Expense	Operating Expense	Income Statement	Debit
B			
Bad Debt Expense	Operating Expense	Income Statement	Debit
Bonds Payable	Long-Term Liability	Balance Sheet	Credit
Buildings	Plant Asset	Balance Sheet	Debit
C			
Cash	Current Asset	Balance Sheet	Debit
Common Stock	Stockholders' Equity	Balance Sheet	Credit
Copyrights	Intangible Asset	Balance Sheet	Debit
Cost of Goods Sold	Cost of Goods Sold	Income Statement	Debit
D			
Debt Investments	Current Asset/Long-Term Investment	Balance Sheet	Debit
Depreciation Expense	Operating Expense	Income Statement	Debit
Discount on Bonds Payable	Long-Term Liability—Contra	Balance Sheet	Debit
Dividend Revenue	Other Income	Income Statement	Credit
Dividends	Temporary account closed to Retained Earnings	Retained Earnings Statement	Debit
Dividends Payable	Current Liability	Balance Sheet	Credit
E			
Equipment	Plant Asset	Balance Sheet	Debit
F			
Freight-Out	Operating Expense	Income Statement	Debit
G			
Gain on Disposal of Plant Assets	Other Income	Income Statement	Credit
Goodwill	Intangible Asset	Balance Sheet	Debit
I			
Income Summary	Temporary account closed to Retained Earnings	Not Applicable	(1)
Income Tax Expense	Income Tax Expense	Income Statement	Debit
Income Taxes Payable	Current Liability	Balance Sheet	Credit
Insurance Expense	Operating Expense	Income Statement	Debit
Interest Expense	Other Expense	Income Statement	Debit
Interest Payable	Current Liability	Balance Sheet	Credit
Interest Receivable	Current Asset	Balance Sheet	Debit
Interest Revenue	Other Income	Income Statement	Credit
Inventory	Current Asset	Balance Sheet (2)	Debit

(continued)

Account Classification and Presentation (continued)

Account Title	Classification	Financial Statement	Normal Balance
L			
Land	Plant Asset	Balance Sheet	Debit
Loss on Disposal of Plant Assets	Other Expense	Income Statement	Debit
M			
Maintenance and Repairs Expense	Operating Expense	Income Statement	Debit
Mortgage Payable	Long-Term Liability	Balance Sheet	Credit
N			
Notes Payable	Current Liability/ Long-Term Liability	Balance Sheet	Credit
O			
Owner's Capital	Owner's Equity	Owner's Equity and Balance Sheet	Credit
Owner's Drawings	Temporary account closed to Owner's Capital	Owner's Equity	Debit
P			
Patents	Intangible Asset	Balance Sheet	Debit
Paid-in Capital in Excess of Par— Common Stock	Stockholders' Equity	Balance Sheet	Credit
Paid-in Capital in Excess of Par— Preferred Stock	Stockholders' Equity	Balance Sheet	Credit
Preferred Stock	Stockholders' Equity	Balance Sheet	Credit
Premium on Bonds Payable	Long-Term Liability—Adjunct	Balance Sheet	Credit
Prepaid Insurance	Current Asset	Balance Sheet	Debit
Prepaid Rent	Current Asset	Balance Sheet	Debit
R			
Rent Expense	Operating Expense	Income Statement	Debit
Retained Earnings	Stockholders' Equity	Balance Sheet and Retained Earnings Statement	Credit
S			
Salaries and Wages Expense	Operating Expense	Income Statement	Debit
Salaries and Wages Payable	Current Liability	Balance Sheet	Credit
Sales Discounts	Revenue—Contra	Income Statement	Debit
Sales Returns and Allowances	Revenue—Contra	Income Statement	Debit
Sales Revenue	Revenue	Income Statement	Credit
Selling Expenses	Operating Expense	Income Statement	Debit
Service Revenue	Revenue	Income Statement	Credit
Stock Investments	Current Asset/Long-Term Investment	Balance Sheet	Debit
Supplies	Current Asset	Balance Sheet	Debit
Supplies Expense	Operating Expense	Income Statement	Debit
T			
Treasury Stock	Stockholders' Equity	Balance Sheet	Debit
U			
Unearned Service Revenue	Current Liability	Balance Sheet	Credit
Utilities Expense	Operating Expense	Income Statement	Debit

(1) The normal balance for Income Summary will be credit when there is a net income, debit when there is a net loss. The Income Summary account does not appear on any financial statement.

(2) If a periodic system is used, Inventory also appears on the income statement in the calculation of cost of goods sold.

The following is a sample chart of accounts. It does not represent a comprehensive chart of all the accounts used in this text but rather those accounts that are commonly used. This sample chart of accounts is for a company that generates both service revenue as well as sales revenue. It uses the perpetual approach to inventory. If a periodic system was used, the following temporary accounts would be needed to record inventory purchases: Purchases, Freight-In, Purchase Returns and Allowances, and Purchase Discounts.

Chart of Accounts

Assets	Liabilities	Owner's and Stockholders' Equity	Revenues	Expenses
Cash	Notes Payable	Owner's Capital	Service Revenue	Administrative Expenses
Accounts Receivable	Accounts Payable	Owner's Drawings	Sales Revenue	Amortization Expense
Allowance for Doubtful Accounts	Unearned Service Revenue	Common Stock	Sales Discounts	Bad Debt Expense
Interest Receivable	Salaries and Wages Payable	Paid-in Capital in Excess of Par—Common Stock	Sales Returns and Allowances	Cost of Goods Sold
Inventory	Unearned Rent Revenue	Preferred Stock	Interest Revenue	Depreciation Expense
Supplies	Interest Payable	Paid-in Capital in Excess of Par—Preferred Stock	Gain on Disposal of Plant Assets	Freight-Out
Prepaid Insurance	Dividends Payable	Treasury Stock		Income Tax Expense
Prepaid Rent	Income Taxes Payable	Retained Earnings		Insurance Expense
Land	Bonds Payable	Dividends		Interest Expense
Equipment	Discount on Bonds Payable	Income Summary		Loss on Disposal of Plant Assets
Accumulated Depreciation—Equipment	Premium on Bonds Payable			Maintenance and Repairs Expense
Buildings	Mortgage Payable			Rent Expense
Accumulated Depreciation—Buildings				Salaries and Wages Expense
Copyrights				Selling Expenses
Goodwill				Supplies Expense
Patents				Utilities Expense

Accounting Principles

Fourteenth Edition

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DEDICATED TO

Our spouses, Enid, Merlynn, and Sean,
for their love, support, and encouragement.

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- Cases for Management Decision Making

From the Authors

Dear Student,

Why This Course? Remember your biology course in high school? Did you have one of those “invisible man” models (or maybe something more high-tech than that) that gave you the opportunity to look “inside” the human body? This accounting course offers something similar. To understand a business, you have to understand the financial insides of a business organization. An accounting course will help you understand the essential financial components of businesses. Whether you are looking at a large multinational company like **Apple** or **Starbucks** or a single-owner software consulting business or coffee shop, knowing the fundamentals of accounting will help you understand what is happening. As an employee, a manager, an investor, a business owner, or a director of your own personal finances—any of which roles you will have at some point in your life—you will make better decisions for having taken this course.

Why This Text? Your instructor has chosen this text for you because of the authors’ trusted reputation. The authors have worked hard to provide instructional material that is engaging, timely, and accurate.

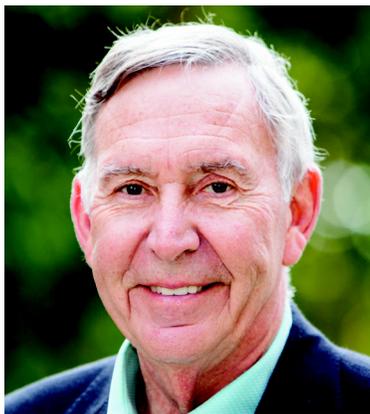
How to Succeed? We’ve asked many students and many instructors whether there is a secret for success in this course. The nearly unanimous answer turns out to be not much of a secret: “Do the homework.” This is one course where doing is learning. The more time you spend on the homework assignments—using the various tools that this text provides—the more likely you are to learn the essential concepts, techniques, and methods of accounting.

Good luck in this course. We hope you enjoy the experience and that you put to good use throughout a lifetime of success the knowledge you obtain in this course. We are sure you will not be disappointed.

“Whether you are looking at a large multinational company like **Apple** or **Starbucks** or a single-owner software consulting business or coffee shop, knowing the fundamentals of accounting will help you understand what is happening.”

Jerry J. Weygandt
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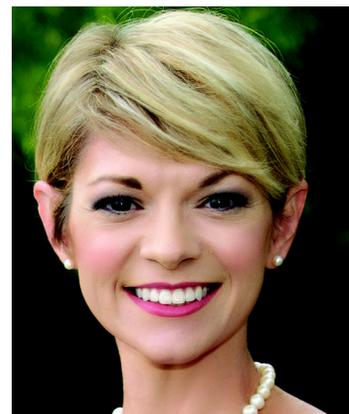
Author Commitment



JERRY J. WEYGANDT, PhD, CPA, is Arthur Andersen Alumni Emeritus Professor of Accounting at the University of Wisconsin—Madison. He holds a Ph.D. in accounting from the University of Illinois. Articles by Professor Weygandt have appeared in *The Accounting Review*, *Journal of Accounting Research*, *Accounting Horizons*, *Journal of Accountancy*, and other academic and professional journals. These articles have examined such financial reporting issues as accounting for price-level adjustments, pensions, convertible securities, stock option contracts, and interim reports. Professor Weygandt is author of other accounting and financial reporting texts and is a member of the American Accounting Association, the American Institute of Certified Public Accountants, and the Wisconsin Society of Certified Public Accountants. He has served on numerous committees of the American Accounting Association and as a member of the editorial board of the *Accounting Review*; he also has served as President and Secretary-Treasurer of the American Accounting Association. In addition, he has been actively involved with the American Institute of Certified Public Accountants and has been a member of the Accounting Standards Executive Committee (AcSEC) of that organization. He has served on the FASB task force that examined the reporting issues related to accounting for income taxes and served as a trustee of the Financial Accounting Foundation. Professor Weygandt has received the Chancellor's Award for Excellence in Teaching and the Beta Gamma Sigma Dean's Teaching Award. He is on the board of directors of M & I Bank of Southern Wisconsin. He is the recipient of the Wisconsin Institute of CPA's Outstanding Educator's Award and the Lifetime Achievement Award. In 2001 he received the American Accounting Association's Outstanding Educator Award.



PAUL D. KIMMEL, PhD, CPA, received his bachelor's degree from the University of Minnesota and his doctorate in accounting from the University of Wisconsin. He was an Associate Professor at the University of Wisconsin—Milwaukee for more than 25 years and is now a Senior Lecturer at the University of Wisconsin—Madison. He has public accounting experience with Deloitte & Touche (Minneapolis). He was the recipient of the UWM School of Business Advisory Council Teaching Award and the Reggie Taite Excellence in Teaching Award, and a three-time winner of the Outstanding Teaching Assistant Award at the University of Wisconsin. He is also a recipient of the Elijah Watts Sells Award for Honorary Distinction for his results on the CPA exam. He is a member of the American Accounting Association and the Institute of Management Accountants and has published articles in *Accounting Review*, *Accounting Horizons*, *Advances in Management Accounting*, *Managerial Finance*, *Issues in Accounting Education*, and *Journal of Accounting Education*, as well as other journals. His research interests include accounting for financial instruments and innovation in accounting education.



JILL E. MITCHELL, MS, Med, CIA, is a Professor of Accounting at Northern Virginia Community College (NOVA), where she has taught face-to-face, hybrid, and online courses since 2008. Since 2009, she has been an adjunct instructor at George Mason University (GMU). She is a past president of the Washington, D.C. Chapter of the Accounting and Financial Women's Alliance (AFWA), and she served on the board of directors of the Virginia Society of CPAs (VSCPA). She is a member of the American Accounting Association (AAA) and the Institute of Internal Auditors. Jill serves on the AAA Education Committee and is the co-chair for the Conference on Teaching and Learning in Accounting (CTLA). Prior to joining the faculty at NOVA, Jill was a senior auditor with Ernst & Young's Business Risk Services practice in Miami, Florida. She is a certified internal auditor and earned an MS in Accountancy from the University of Virginia and a BBA in Management Information Systems from the University of Georgia honors program. Recently, she earned an MEd in Instructional Design Technology from GMU. Jill is a recipient of the Outstanding Faculty Award, the Commonwealth's highest honor for faculty of Virginia's universities and colleges presented by the State Council of Higher Education for Virginia; the Virginia Community College System Chancellor's Award for Teaching Excellence; the AFWA's Women Who Count Award; the AAA Two-Year College Educator of the Year Award; and the AAA/J. Michael and Mary Anne Cook/Deloitte Foundation Prize, the foremost recognition of an individual who consistently demonstrates the attributes of a superior teacher in the discipline of accounting.

New to This Edition: Data Analytics

The authors carefully considered how to thoughtfully and meaningfully integrate data analytics into the accounting course, and are pleased to provide the following data analytics resources.

Data Analytics in the Real World

Real-world examples that illustrate engaging situations in companies are provided throughout the text.

Data Analytics Insight Netflix



Ronnie Overgoor/
Unsplash

Using Data Science to Create Art

Technology provides decision-makers and problem-solvers with access to a large volume of information called “big data.” And **Netflix**, the world’s leading subscription streaming entertainment service, is tapping into this big data as part of its efforts to ramp up its original content production.

In a recent year, Netflix planned to spend \$8 billion on content creation. Producing content involves a blend of creativity, technology, and business decisions, all of which result in costs. And by analyzing the large amounts of data from past productions,

such as filming locations and production schedules, Netflix can more precisely estimate costs for future productions. Further, consider that the production of a TV show or film involves hundreds of tasks. Here again, Netflix uses data science, in this case to visualize where bottlenecks might occur or where opportunities might exist to increase the efficiency of the production process.

Source: Ritwik Kumar et. al., “Data Science and the Art of Producing Entertainment at Netflix,” *The Netflix Tech Blog* (March 26, 2018).

How can “big data” improve decision-making? (Answer is available near the end of the chapter.)

Data Analytics and Decision-Making

The text also provides numerous discussions and examples where accounting information is used to support business decisions using data analytics.

Increased access to ever larger amounts of data about customers, suppliers, products, and virtually every other aspect of a business has resulted in a greater reliance by companies on data analytics to support business decisions. Credit sales, sales returns and allowances, and sales discounts all provide rich opportunities for the use of data analytics.

- Effectively analyzing data regarding current, as well as potential, customers can help a company expand its sales base while minimizing the risk of unpaid receivables.
 customer return policies, sometimes with unique rules for specific product types, as a result of data analytics applied to their data on product returns.
- To achieve the optimal cost-benefit balance on sales discounts, companies statistically analyze past discount practices to determine how large the discount should be, how long the payment period should be, and other factors.

Data Analytics in Action

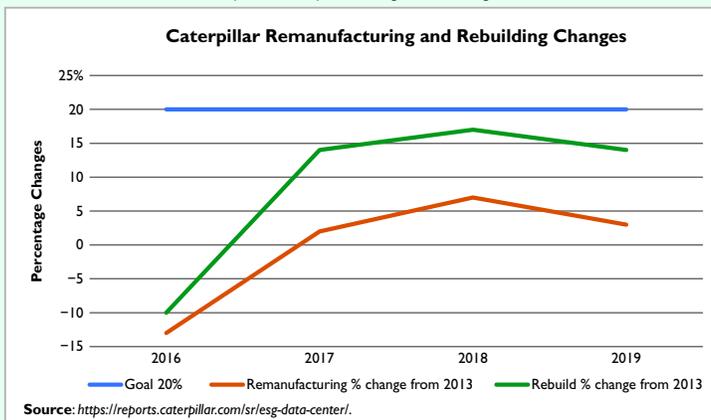
Most chapters offer *Data Analytics in Action* problems, to offer students the opportunity to see how they might use data analytics to help solve realistic business problems. Excel templates for each of the *Data Analytics in Action* problems provide students a framework for solving the problem. *Data Analytics in Excel* videos provide students with step-by-step guidance in performing the Excel skills they will need to solve these problems.

Using Data Visualization to Analyze Changes over Time

DA6.1 Data visualization can be used to analyze company changes over time.

Example: Recall the Feature Story “Where Is That Spare Bulldozer Blade?” presented in the chapter. **Caterpillar** continues to enhance its inventory management by improving its product sustainability in two ways. First, it is rebuilding used parts to like-new condition. Second, the company is remanufacturing usable inventory parts when customers trade-in or dispose of their used equipment. These actions not only reduce inventory costs but also enable Caterpillar to participate in the circular economy, where manufacturers take responsibility for their products at the end of the product lives. As noted in its 2019 sustainability report, Caterpillar has a goal of 20% growth in both rebuilding and remanufacturing from 2013 to 2020.

Has Caterpillar reached this goal? A line chart can help you visualize the company's progress over time. What information can you obtain by examining the following chart?



The chart indicates that while Caterpillar's goal has remained at 20%, the remanufacturing and rebuilding businesses are growing. The biggest increase in the growth of rebuilding occurred from 2016 to 2017. There was a decline from 2018 to 2019 in these initiatives as Caterpillar may have reached a peak that is leveling off due to new production that is more sustainable.

For this case, you will look more closely at specific Caterpillar data regarding its end-of-life returned materials and the percentage usable for recycling. You will create and analyze a combination column and line chart to determine how Caterpillar can increase its gross profit as it relates to these end-of-life materials.

Go to *WileyPLUS* for complete case details and instructions.

Using Data Analytics to Compare Companies' Profitability

DA6.2 Manufacturing construction equipment is a competitive business. For this case, you will use company data to calculate the gross profit ratio, as well as the percentages of cost of goods sold, other expenses, and net income as compared to revenue, for **Caterpillar**, **Cummins**, and **CNH Industrial**. You will then create and analyze a clustered column chart based on this data. Finally, you will compare the rebuilding and recycling efforts of the companies and what impact these initiatives might have on their profitability.

Go to *WileyPLUS* for complete case details and instructions.



Data Visualization Homework Assignments

PowerBI and Tableau visualizations accompanied by questions are available with most chapters. PowerBI and Tableau visualizations allow students to interpret visualizations and think critically about data.

Data Analytics Module

An **accounting-specific data analytics module** with interactive lessons, case studies, and videos is part of the Wiley online course. The module has been prepared using industry-validated content to help students develop the professional competencies needed for the changing workforce.

New to This Edition: Chapter-by-Chapter Changes

In addition to the following changes, business and markets news videos from **Bloomberg** that reference real-world news and decision-making related to accounting concepts are now provided for most chapters, with accompanying multiple-choice and discussion questions.

Chapter 1: Accounting in Action

- NEW introductory discussion of how financial statement users can employ data analytics to improve decision-making.
- NEW Data Analytics Insight box, on how **Netflix** uses data analytics to help estimate costs for future projects as well as identify both bottlenecks and opportunities in its production processes.
- NEW example and illustration of how to apply basic accounting equation to determine owner's equity.
- NEW Helpful Hints on meaning of “incurred,” additional discussion of revenues, and difference between accounts receivable and accounts payable.
- NEW discussion and illustration on financial statement preparation order/interrelationships.

Chapter 2: The Recording Process

- NEW illustration of the recording process, to increase student understanding of the three steps.
- NEW Helpful Hints, such as reinforcing the difference between a trial balance and a general ledger, to increase student understanding.

Chapter 3: Adjusting the Accounts

- NEW illustration showing the timeline of financial statement preparation.
- NEW discussion and illustration of the five-step revenue recognition process.
- NEW detailed explanations for why adjusting entries are necessary, including presenting the two rules of adjusting entries: (1) will include one income statement account and one balance sheet account and (2) will never affect the Cash account.
- Highlighted how each type of adjusting entry will affect the income statement and balance sheet.
- NEW illustration on enhancing qualities of accounting information, to improve student understanding.

Chapter 4: Completing the Accounting Cycle

- Updated discussion of worksheet to put its use more in context of the accounting cycle.

- Provided one overview worksheet for the accounting cycle steps for improved student understanding.
- Simplified illustration of the closing process for improved understanding.
- NEW Helpful Hint on the Income Summary account for improved understanding.

Chapter 5: Accounting for Merchandising Operations

- MOVED discussion of comprehensive income statement to Chapter 18.
- NEW section, “Data Analytics and Credit Sales” on how companies use data analytics to improve business decision-making regarding their policies on credit sales, sales returns and allowances, and sales discounts.
- NEW Helpful Hint to ensure student understanding of the Inventory account
- NEW Comprehensive Accounting Cycle Review for the perpetual inventory method for additional practice opportunity.

Chapter 6: Inventories

- NEW separate DO IT!s at end of each cost flow method discussion, so students can immediately check their understanding of the FIFO, LIFO, and average-cost methods.
- NEW data analytics discussion in “Analysis” section.
- NEW illustration showing **Walmart's** recent inventory disclosure, using retail inventory method.
- NEW Data Analytics in Action problems allow students to perform basic data analytics and data visualization.

Chapter 7: Accounting Information Systems

- NEW Feature Story, on how **Soul to Sole Footwear** uses its computerized accounting system effectively.

Chapter 8: Fraud, Internal Control, and Cash

- NEW section on how data analytics helps improve internal controls.
- NEW illustration of an electronic check, with callouts for improved student understanding.
- NEW section on Electronic Banking, with more detailed discussion of EFTs and new discussion and illustration on electronic and mobile banking internal controls.
- NEW illustration on how banks account for customer transactions.

- NEW discussion of robotic process automation (RPA) software and how companies can use it as part of their bank reconciliation process.
- NEW discussion of COSO initiative.
- NEW Data Analytics in Action problems allow students to perform basic data analytics and data visualization.

Chapter 9: Accounting for Receivables

- NEW Feature Story on how **Nike** has increased its sales through its credit policies.
- NEW section on data analytics and receivables management.

Chapter 10: Plant Assets, Natural Resources, and Intangible Assets

- NEW Feature Story on how equipment can determine financial success in the airline industry.
- NEW discussion and International Note on use of historical cost principle and cash equivalent price in determining the cost of plant assets.
- Included more DO IT!s at end of subsections of depreciation methods, so students can immediately test their understanding of how to calculate straight-line, declining-balance, and units-of-activity depreciation methods.
- NEW discussion and illustration on depreciation disclosure in the notes to the financial statements.
- Expanded discussion of how companies must disclose in the financial statements significant changes in depreciation estimates.
- Moved “Sale of Plant Assets” section before “Retirement of Plant Assets” section for more logical organization of topics.
- Expanded discussion of description of intangible assets and how to account for them.
- NEW Data Analytics in Action problems allow students to perform basic data analytics and data visualization.

Chapter 11: Current Liabilities and Payroll Accounting

- Updated definition of current liabilities per FASB to include “from existing current assets or through the creation of other current liabilities.”
- Included most recent information regarding sales taxes payable on Internet sales.
- NEW illustration on accounting for contingent liabilities, for improved student understanding.
- NEW illustration on W-4 form for improved student understanding.
- Updated FICA tax information per most recent guidance.

Chapter 12: Accounting for Partnerships

- NEW Data Analytics in Action problems allow students to perform basic data analytics and data visualization.

Chapter 13: Corporations: Organization and Capital Stock Transactions

- NEW discussion on hybrid forms of business organization.
- NEW discussion on how investors monitor a company’s dividend practices.

- New discussion on how payment of stock dividend can be viewed as merely a publicity gesture.
- New People, Planet, and Profit Insight box on the upward trend of shareholder proposals on corporate responsibility.
- NEW Investor Insight box, on how companies that pay dividends can increase investor wealth.

Chapter 14: Corporations: Dividends, Retained Earnings, and Income Reporting

- NEW Data Analytics in Action problems allow students to perform basic data analytics and data visualization.

Chapter 15: Long-Term Liabilities

- Updated Feature Story to discuss how debt has both helped and hurt **General Motors** and **Ford**.

Chapter 16: Investments

- Updated Feature Story to discuss emergence of new on-line streaming services as well as recent acquisition of **WarnerMedia** by **AT&T**.

Chapter 17: Statement of Cash Flows

- Added more T-accounts and journal entries to increase understandability of preparing the statement of cash flows using the indirect method.
- Used 2018 **Apple** financial statements for example in how to analyze the statement of cash flows using free cash flow calculation, for increased student engagement.
- NEW Data Analytics in Action problems allow students to perform basic data analytics and data visualization.

Chapter 18: Financial Statement Analysis

- Improved discussion of comprehensive income/statement of comprehensive income by consolidating within one section, for improved student understanding.

Chapter 19: Managerial Accounting

- NEW section on the value of data analytics in helping managers understand the relationship between CVP variables and business trends.
- NEW Data Analytics Insight box on how **Disney** uses its MagicBands as a source of data to analyze the behavior of its customers.
- Expanded discussion within “Manufacturing Costs” section to ensure student understanding of raw materials versus direct materials as well as what is considered to be manufacturing overhead. Also updated Illustration 1.4 (assignment of costs to cost categories) to include an explanation for each cost classification, again to ensure student understanding.
- Moved up discussion of balance sheet (before income statement) in “Manufacturing Costs in Financial Statements” section for more logical presentation of topics.
- Updated each “Managerial Accounting Today” section subtopic for the latest information on service industries, lean manufacturing, balanced scorecard, ethics, and social responsibility.

- NEW Data Analytics in Action problems allow students to perform basic data analytics and data visualization.

Chapter 20: Job Order Costing

- NEW Data Analytics Insight box on how **Autodesk** uses data analytics to improve its software and profitability.
- More discussion on assigning raw materials costs and assigning factory labor costs, to improve student understanding.
- Updated time ticket discussion for more recent process involving scanning of employee identification codes.
- NEW Data Analytics in Action problems allow students to perform basic data analytics and data visualization.

Chapter 21: Process Costing

- Production cost report now has the “Cost Reconciliation Schedule” section to include costs to be accounted for, not just costs accounted for.
- Throughout, have carefully scrutinized discussion to ensure complete student understanding. For example, in the “Transfer to Next Department” section, have added explanation of what department transfers entail.

Chapter 22: Cost-Volume-Profit

- NEW discussion on CVP and the use of data analytics, using **DHL Express** as an example.
- NEW expanded highlighted equations, to show more detailed calculations for improved understanding.
- NEW expanded explanation of what CVP analysis is.
- NEW illustration and discussion on how a GAAP income statement differs from a CVP income statement.
- NEW discussion on the variable cost ratio.
- Updated Service Company Insight to feature more recent information on the business of music promotion (and using Drake as an example instead of the Rolling Stones) and computing the break-even point.
- Enhanced end-of-chapter assignments by offering students more opportunities to prepare CVP income statements, as well as a new problem on regression analysis.
- NEW Data Analytics in Action problems allow students to perform basic data analytics and data visualization.

Chapter 23: Incremental Analysis

- Highlighted the decision rules, as well as additional factors to consider, for incremental analysis decisions.

Chapter 24: Budgetary Planning

- NEW Data Analytics Insight box on how **Dickey’s Barbecue Pit** uses data analytics to improve restaurant sales performance.
- NEW Data Analytics in Action problem allows students to perform basic data analytics and data visualization.

Chapter 25: Budgetary Control and Responsibility Accounting

- NEW Data Analytics Insight boxes on rolling forecasts and zero-based budgeting.
- Updated section on “Judgmental Factors in ROI” with “Alternative Measures of ROI Inputs” for more precise discussion and improved student understanding.
- NEW Data Analytics in Action problems allow students to perform basic data analytics and data visualization.

Chapter 26: Standard Costs and Balanced Scorecard

- NEW Data Analytics Insight box on how manufacturing companies are using technology such as 5G cellular to improve the amount and speed of data collection to improve operations.
- NEW highlighted applications of determining standard costs in “A Case Study” section, for improved student understanding.
- NEW Data Analytics in Action problem allows students to perform basic data analytics and data visualization.

Chapter 27: Planning for Capital Investments

- NEW Data Analytics Insight box on how **Electronic Arts** uses data from its current online video games to help it develop future products.
- Improved illustration showing computation of cash payback period by including detailed steps and computations.
- NEW Management Insight box on 5G and how it presents a risky investment to telecom companies.
- NEW Data Analytics in Action problems allow students to perform basic data analytics and data visualization.

Proven Pedagogical Features

When you think of accounting, you probably don't think of sports. So why do we have a photo of an athlete on our cover? It's because this image represents active learning that's best accomplished through full engagement, commitment, and practice. Through the integrated learning experience with the text and online course materials, *Accounting Principles, Fourteenth Edition*, takes the same approach many coaches do, by helping students not only master key concepts first but understand why they're important. In this way, students appreciate the importance of accounting basics and develop a solid foundation of knowledge. This leads to better student retention and sets them up for success in future careers.

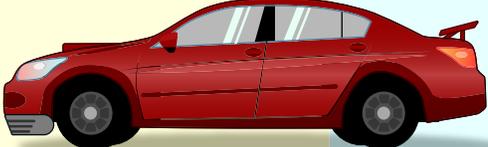
In this new edition, all content has been carefully reviewed and revised to ensure maximum student understanding. At the same time, the time-tested features that have proven to be of most help to students have been retained, such as the following.

Infographic Learning

Over half of the text is visual, providing students alternative ways of learning about accounting. In addition, a new interior design promotes accessibility.

ILLUSTRATION 1.6
Determining owner's equity

<u>Assets</u>	=	<u>Liabilities</u>	+	<u>Owner's Equity</u>
Car	=	Bank's Claim	+	Your Claim
\$15,000	=	\$10,000	+	\$5,000



Real-World Decision-Making

Real-world examples that illustrate interesting situations in companies and how accounting information is used are integrated throughout the text, such as in the opening Feature Story as well as the Insight boxes.

People, Planet, and Profit Insight



PeopleImages/E+/Getty Images

Regaining Goodwill

After falling to unforeseen lows amidst scandals, recalls, and economic crises, the reputation of corporate America is recovering in the eyes of the American public. Overall corporate reputation is experiencing rehabilitation as the American public gives high marks overall to corporate America, specific industries, and the largest number of individual companies in a dozen years. This is according to the findings of the *2011 Harris Interactive RQ Study*, which measures the reputations of the 60 most visible companies in the United States.

The survey focuses on six reputational dimensions that influence reputation and consumer behavior. Four of these dimensions, along with the five corporations that ranked highest within each, are as follows.

- **Social Responsibility:** (1) Whole Foods Market, (2) Johnson & Johnson, (3) Google, (4) The Walt Disney Company, (5) Procter & Gamble Co.
- **Emotional Appeal:** (1) Johnson & Johnson, (2) Amazon.com, (3) UPS, (4) General Mills, (5) Kraft Foods
- **Financial Performance:** (1) Google, (2) Berkshire Hathaway, (3) Apple, (4) Intel, (5) The Walt Disney Company
- **Products and Services:** (1) Intel Corporation, (2) 3M Company, (3) Johnson & Johnson, (4) Google, (5) Procter & Gamble Co.

Source: www.harrisinteractive.com.

Name two industries today that are probably rated low on the reputational characteristics of “being trusted” and “having high ethical standards.” (Answer is available near the end of the chapter.)

Additional Guidance

Throughout the text, marginal notes, such as *Helpful Hints*, *Alternative Terminology*, and *Ethics Notes*, are provided as additional guidance. In addition, more than 100 new Solution Walkthrough Videos are now available in Wiley’s online course.

Correcting Entries—An Avoidable Step

Unfortunately, errors may occur in the recording process. Companies should correct errors, **as soon as they discover them**, by journalizing and posting **correcting entries**. If the accounting records are free of errors, no correcting entries are needed.

You should recognize several differences between correcting entries and adjusting entries.

- Adjusting entries are an integral part of the accounting cycle. Correcting entries, on the other hand, are unnecessary if the records are error-free.
- Companies journalize and post adjustments **only at the end of an accounting period**. In contrast, companies make correcting entries **whenever they discover an error** (see **Ethics Note**).
- Adjusting entries always affect at least one balance sheet account and one income statement account. In contrast, correcting entries may involve any combination of accounts in need of correction. **Correcting entries must be posted before closing entries.**

To determine the correcting entry, it is useful to compare the incorrect entry with the correct entry. Doing so helps identify the accounts and amounts that should—and should not—be corrected. After comparison, the accountant makes an entry to correct the accounts. The following two cases for Mercato Co. illustrate this approach.

ETHICS NOTE

When companies find errors in previously released income statements, they restate those numbers. Perhaps because of the increased scrutiny caused by Sarbanes-Oxley, in a recent year companies filed a record 1,195 restatements.

DO IT! Exercises

DO IT! Exercises in the body of the text prompt students to stop and review key concepts. They outline the Action Plan necessary to complete the exercise as well as show a detailed solution.

DO IT! 3 | Adjusting Entries for Accruals

Micro Computer Services began operations on August 1, 2022. At the end of August 2022, management prepares monthly financial statements. The following information relates to August.

1. At August 31, the company owed its employees \$800 in salaries and wages that will be paid on September 1.
2. On August 1, the company borrowed \$30,000 from a local bank on a 1-year note payable. The annual interest rate is 10%. Interest will be paid with the note at maturity.
3. Revenue for services performed but unrecorded for August totaled \$1,100.

Prepare the adjusting entries needed at August 31, 2022.

Solution

1. Salaries and Wages Expense	800	
Salaries and Wages Payable		800
(To record accrued salaries)		
2. Interest Expense	250	
Interest Payable		250
(To record accrued interest: \$30,000 × 10% × $\frac{1}{12}$ = \$250)		
3. Accounts Receivable	1,100	
Service Revenue		1,100
(To record revenue for services performed)		

Related exercise material: **BE3.7, DO IT! 3.3, E3.5, E3.6, E3.7, E3.8, and E3.9.**

ACTION PLAN

- **Make adjusting entries at the end of the period to recognize revenues for services performed and for expenses incurred.**
- **Don’t forget to make adjusting entries for accruals. Adjusting entries for accruals will increase both a balance sheet and an income statement account.**

Review and Practice

Each chapter concludes with a Review and Practice section which includes a review of learning objectives, key terms glossary, practice multiple-choice questions with annotated solutions, practice brief exercises with solutions, practice exercises with solutions, and a practice problem with a solution.

Review and Practice

Practice Brief Exercises

1. **(LO 1)** The ledger of Dey Company includes the following accounts. Explain why each account may need adjustment. *Indicate why adjusting entries are needed.*
- | | |
|------------------------------|--------------------------------|
| a. Supplies. | c. Salaries and Wages Payable. |
| b. Unearned Service Revenue. | d. Interest Payable. |

Solution

1. a. Supplies: to recognize supplies used during the period.
 b. Unearned Service Revenue: to record revenue generated for services performed.
 c. Salaries and Wages Payable: to recognize salaries and wages accrued to employees at the end of a reporting period.
 d. Interest Payable: to recognize interest accrued but unpaid on notes payable.

2. **(LO 2) Financial Statement** At the end of its first year, the trial balance of Denton Company shows Equipment of \$40,000 and zero balances in Accumulated Depreciation—Equipment and Depreciation Expense. Depreciation for the year is estimated to be \$8,000. Prepare the adjusting entry for depreciation at December 31, post the adjustments to T-accounts, and indicate the balance sheet presentation of the equipment at December 31. *Prepare adjusting entry for depreciation.*

Solution

2. Dec. 31	Depreciation Expense	8,000	8,000
	Accumulated Depreciation—Equipment		
	Depreciation Expense	Accum. Depreciation—Equipment	
12/31	8,000	12/31	8,000
Balance Sheet:			
	Equipment	\$40,000	
	Less: Accumulated Depreciation—Equipment	<u>8,000</u>	\$32,000

Engaging Digital Tools

Digital study tools in Wiley's online course include the following.

Real-World Company Videos

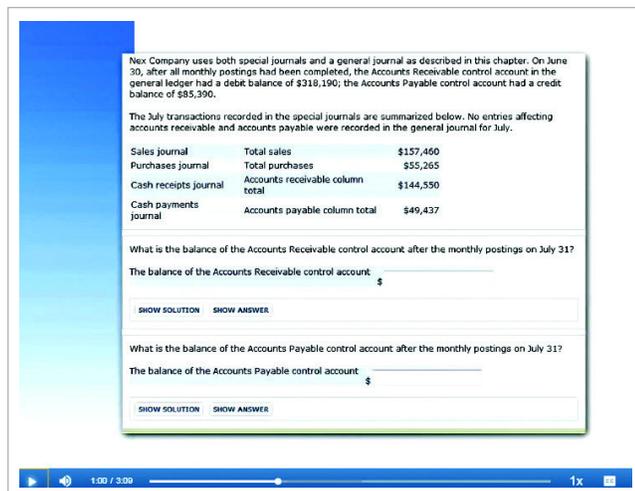
Real-world company videos feature both small businesses and larger companies to help students apply content and see how business owners apply concepts from the text in the real world. New to this edition are news videos from **Bloomberg** that reference real-world news and decision-making related to accounting concepts, with accompanying multiple-choice and discussion questions.



Source: YouTube.

Solution Walkthrough Videos

Solution Walkthrough Videos are available as question assistance and to help students develop problem-solving techniques. These videos walk students through solutions step-by-step and are based on the most regularly assigned exercises and problems in the text.



Sales journal	Total sales	\$157,460
Purchases journal	Total purchases	\$55,265
Cash receipts journal	Accounts receivable column total	\$144,550
Cash payments journal	Accounts payable column total	\$49,437

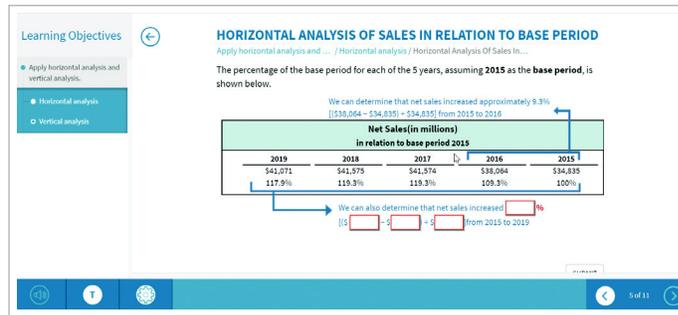
What is the balance of the Accounts Receivable control account after the monthly postings on July 31?
The balance of the Accounts Receivable control account \$ _____
SHOW SOLUTION SHOW ANSWER

What is the balance of the Accounts Payable control account after the monthly postings on July 31?
The balance of the Accounts Payable control account \$ _____
SHOW SOLUTION SHOW ANSWER

Source: YouTube.

Interactive Tutorials

Interactive tutorials are voice-guided reviews of topics in each learning objective. Checkpoints in the tutorials require students to review and solve simple self-assessment exercises.



Gradable Excel Questions

Gradable Excel questions for each chapter provide students an opportunity to practice Excel skills in the context of solving accounting problems.

A	B	C	D	E	F	G	H	I	J	K																
Function: IF; Formula: Subtract, Multiply; Cell Referencing																										
Brief Exercise - Using Excel to Determine Variances						Student Work Area																				
PROBLEM						Required: Provide input into cells shaded in yellow in this template. Use cell references to the Problem area with mathematical formulas in the input cells. In the last input field, input an IF function with cell references to your work area.																				
In October, Pine Company was determining its overhead variance. Its predetermined overhead rate is based on direct labor hours. The following																										
<table border="0"> <tr> <td>Manufacturing overhead costs incurred</td> <td>\$ 118,000</td> </tr> <tr> <td>Actual direct labor hours</td> <td>21,000</td> </tr> <tr> <td>Standard hours allowed for work done</td> <td>20,600</td> </tr> <tr> <td>Predetermined overhead rate</td> <td>\$ 6.00</td> </tr> </table>						Manufacturing overhead costs incurred	\$ 118,000	Actual direct labor hours	21,000	Standard hours allowed for work done	20,600	Predetermined overhead rate	\$ 6.00	<table border="0"> <tr> <td>Actual overhead</td> <td><input type="text"/></td> </tr> <tr> <td>Overhead applied</td> <td><input type="text"/></td> </tr> <tr> <td>Total overhead variance</td> <td><input type="text"/></td> </tr> <tr> <td>Nature of variance</td> <td><input type="text"/></td> </tr> </table>					Actual overhead	<input type="text"/>	Overhead applied	<input type="text"/>	Total overhead variance	<input type="text"/>	Nature of variance	<input type="text"/>
Manufacturing overhead costs incurred	\$ 118,000																									
Actual direct labor hours	21,000																									
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Actual overhead	<input type="text"/>																									
Overhead applied	<input type="text"/>																									
Total overhead variance	<input type="text"/>																									
Nature of variance	<input type="text"/>																									
Compute the amount of the total overhead variance and designate if the variance is favorable or unfavorable using Excel's IF function.						<table border="0"> <tr> <td>Answer Field</td> <td>15.4% of your score.</td> </tr> <tr> <td>Formula: Multiply; Cell reference.</td> <td>Use a mathematical formula and cell referencing to the Problem area to determine the overhead applied.</td> </tr> </table>					Answer Field	15.4% of your score.	Formula: Multiply; Cell reference.	Use a mathematical formula and cell referencing to the Problem area to determine the overhead applied.												
Answer Field	15.4% of your score.																									
Formula: Multiply; Cell reference.	Use a mathematical formula and cell referencing to the Problem area to determine the overhead applied.																									

Data Visualization Homework Assignments

PowerBI and Tableau visualizations accompanied by questions are available with most chapters. PowerBI and Tableau visualizations allow students to interpret visualizations and think critically about data.

In addition, other learning opportunities in Wiley's online course include the following.

- **Accounting-Specific Data Analytics Module** offers interactive lessons, case studies, and videos. The module has been prepared using industry-validated content to help students develop the professional competencies needed for the changing workforce.
- **Cookie Creations** is a continuing case that spans across the financial accounting chapters and shows how a small business grows from a sole proprietorship to a corporation.
- **Waterways Corporation** is a continuing case that spans across the managerial accounting chapters and offers students the opportunity to see how a small business might use managerial accounting to operate effectively.
- **Wiley Accounting Updates** (wileyaccountingupdates.com) provide faculty and students with weekly curated news articles and suggested discussion questions.
- **Flashcards and Crossword Puzzles** help students study and master basic vocabulary and concepts.
- **Student Practice** quickly and effectively assesses student understanding of the material they have just covered.
- **Adaptive Practice** helps students quickly understand what they know and what they do not know, and provides opportunities for practice to effectively prepare for class or quizzes and exams.

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