Subject Index

An index of company names can be found following the subject index.

A
Accelerated method, 399
Accountants, 6–7, 545–546
Accounting, four types of, 27f
Accounting equation
business transactions and the, 116–117
financial statements and the, 117–121
journal entries and, examples, 122–123
key points, 152
Accounting estimates, 611
Accounting for Contingencies
(FASB No. 5), 453
Accounting fraud, 92, 110, 173, 265
Accounting methods, mandated changes in, 610–611
Accounting standards setting, 20–21, 26, 29, 32
Accounts
the accounting equation and, 117–118
debiting/crediting, 122–125
permanent vs temporary, 128
Accounts payable, 42, 444–445
Accounts payable turnover, 192–193
Accounts receivable
bad debts, 254, 256–263
balance sheet valuation of, 251–252, 266–267, 273
cash discounts, 254–256
defined, 39
importance of, 253
in international accounting, 269–270
in notes to financial statement, 10
recording of, 264–266
sales returns, 254, 263–264
turnover, 271
user perspective, 264–268, 273
valuation base for, 254
Accrual accounting, 129, 252, 648
Accruals, 130, 650–659
Accrued interest, 131–132
Accrued loss contingencies, 455–456
Accrued wages, 130–131
Accumulated amortization, 41, 138
Accumulated comprehensive income, 540
Accumulated depreciation, 41, 137
Acquisitions
business, 348–349
federal stimulus plan and, 430
of inventory, 292–297
of long-lived assets, 390–393
Activity (units-of-production) method, 402
Actual interest rate. See Effective interest rate
Adjusting journal entries, 259
Affiliate (associate) companies, 345–346
Aggressive accounting, 691
Aging schedules, 262–263
AICPA (American Institute of Certified Public Accountants), 25, 246
Air traffic liability, 447
Allowance for doubtful accounts, 259
Allowance method of accounting for bad debt, 257–258, 273
American Institute of Certified Public Accountants (AICPA), 25, 246
Amortization. See also Cost allocation accumulated, 41, 138
activity (units-of-production) method, 402
cash outflows from, 655
cost allocation methods, 403
double-declining-balance method of, 399–401
of goodwill, 350
of long-lived assets, 390–406
of R&D expenditures, 413
straight-line method of, 398–401
units-of-production method of, 402
Amortization expense, 137, 138
"Analysts Increasingly Favor using Cash Flow over Reported Earnings in Stock Valuations" (Wall Street Journal), 649
Annual interest, 13
Annual reports, 20, 198, 213, 754–782
Annuities
future value of ordinary, 700, 701, 704, 716
present value of ordinary, 719
Annuity due, 700, 702, 704, 717, 720
Appropriations of retained earnings, 566
Arm's length transaction, 89
Asset capitalization and the matching principle, 133–134, 138–139
Asset distributions, 45
Asset impairments, 431
Assets. See also Intangible assets; Long-lived assets; specific types of, e.g. Cash on classified balance sheet, 36, 38–42
current, 38
defined as element of financial statements, 599
dissimilar, 402
exchanges, 603–604
fixed, 385
in fundamental accounting equation, 114–115
goodwill, 350–351
long-term investments, 40
net book value of, 41
physical, 234
preferred stock as to, 548
prepaid expenses, 39
property, plant, and equipment, 40–41
purchases, 603–604
sales, 603–604
sources of, 115, 540
Asset turnover ratios
fixed assets turnover, 194
inventory turnover, 194, 313
receivables turnover, 193
total asset turnover, 194
Asset write-downs, 432
to download more slides, ebooks, and solution manual visit http://downloadslide.blogspot.com

Subject Index

Associate (affiliate) companies, 345–346
Assumptions of financial accounting
  economic entity assumption, 79, 83
  fiscal period assumption, 80–81, 83
  going concern assumption, 81, 83
  stable dollar assumption, 81–82
Audit, independent, 6
Audit committees, 23
Auditors
  ethics and professional behavior, 16, 25
  independent, 22, 23
  legal liability, 16, 24, 246, 441
perspective on debt vs. equity, 545–546
reported values of liabilities, interest in, 441
value added to financial statements, 15
Auditor’s report, 7–8, 28
Audit report, 23, 173, 182–183
Authorized preferred shares, 548–549
Available-for-sale securities, 335–341, 348, 364–365, 514
Average assumption, 302–304
Avery Corporation (case study), 734–739

B
Backdating, 560
Bad debt expense, 652–653
Bad debt recoveries, 261
Bad debts (uncollectibles)
  accounting for, 254
  aging schedules for estimating, 262–263
  allowance method of accounting for, 256–268, 273
  estimating, 258
  inaccurate estimates of, 261–262
  recovering, 261
  selling, 263
Balance sheet. See also
  Classified balance sheet
  accounting equation and the, 118–119
  cash account on, 248–249, 641
  defined, 11
  deriving cash flow from, 650–659
  preparing using T-accounts, 128
  receivables valuation on, 266–267
  relative size of liabilities on, 438–439
  reporting liabilities on the, 443
  shareholders’ equity section of, 43–45, 547–553
  valuations on the, 84–87
  valuing current liabilities on, 443
Balance sheet classifications, 36
Bankruptcy, 482, 543
Bernstein, Leopold A., 247
Bettingens, 394
Bias, 180
“Big 4,” 22
Big GAAP vs. Little GAAP, 183
Blackford, Han, 691
Blake, Francis, 450
Block, Jeffrey, 95
Board of directors, 13, 22–23, 312
Bondholders, 43, 495–496, 518
Bond prices, determining, 512–514
Bonds. See also Long-term liabilities
  call provisions, 495, 497, 505
  effective interest rate, 497–498, 503
  effective rate of return for, 512, 513
  interest payment of, 495, 496
  investing in, 514–515
  issued at par and discount, 499–502
  life of, 495
  maturity date of, 495
  price determination of, 512–514
  price of, 497
  proceeds at issuance of, 495
  redemption, at or before maturity, 504–506
  required rate of return for, 512, 513
  restrictive covenants on, 496
  risk-free return for, 513
  stated interest rate, 497–498
  terminology of, 495–497
  unsecured, 497
Bonds payable
  accounting for, 498–503
  and changing interest rates, 503
  defined, 43, 485
  discount on, 500
  issuing, 43, 494
  key points, 518
  Bonus systems, 177–178, 448–450, 468
  Bookkeeping costs, 308
  Book value
    common stock, 552, 574
    defined, 137, 540
    depreciating, 397
    limits for reducing, 400
    net, 41, 87
    of share of stock, 552
    true value vs., 179
  Borrowing, economic consequences created by, 487, 519
  Bright line rules, 96
  Buffett, Warren, 234
  Buildings, depreciation of, 655
  Business acquisitions, 348, 357–361
  Business combinations, 349
  Business environment
    assessing the, 184
    financial statements and, 181–182, 212
  US vs. Japan/Korea, 199–200
  Business segments, disposal of, 608–609
  Business transactions, 116–121

C
Calendar vs. fiscal year reporting, 80–81
Call provisions, 495, 497, 505
Campeau, Robert, 445, 487
Capital
  contributed, 43–44, 115
  earned, 44
  working, 201–202, 245, 246, 272
  Capital employed, 45
  Capital flows, 34–35. See also
    Cash flows
Capitalized costs, 133–138, 390–406, 413, 416
Capitalized retained earnings, 564
Capital leases, 507–510, 519–520
Capital markets, 18–19, 308–309
Capital providers, 19, 543
Capital structure leverage, 191–192
Capital structure management, 201–202
Cash
  balance sheet captions, 248
  control of, 251, 273
  defined, 38, 641
  in notes to financial statement, 10
  proper management of, 250–251, 646
  receipts, 489
  restrictions on use of, 249–250
  sources of, 646
  uses for, 646
  Cash (purchase) discounts, 293–296
  Cash (sales) discounts, 254–256
  Cash account, 248–249
  Cash and Equivalents, 248
  Cash dividends, 336–337, 563, 574, 659. See also
    Dividends
  Cash equivalents, 641
  Cash flow accounting, 247–248
  Cash flow analysis, 206–207, 270–271, 691
  Cash flow profiles, 207
  Cash flows. See also Capital flows
    Statement of cash flows
  accrual financial statements for deriving, 650–659
  from financing activities, 51, 644, 657–659, 668
  from investing activities, 51, 644, 656–657, 668
  net, 11, 54
  from operating activities, 50–51, 76, 642–644, 647, 652–656, 668
  predicting, 179–181, 197
  Cash interest payments, 644
  Cash loans, 445
  Cash management, 250–251, 333–334, 646
  Certificates of deposit, 513
  Certified public accountant (CPA), 6–7
  Chapter 11, 482
  China, 257, 597
  Choi, Frederick, 199
  Classified balance sheet
    assets on, 36, 38–42
    example of, 37
    liabilities on, 36, 42–43
    shareholder’s equity section, 43–45
    as statement of financial condition, 36
  COGS (cost of goods sold), 47, 653
  Collateral, 13, 489
  Collections, third-party, 447–448
  Commercial paper, 445
  Common equity leverage, 191
to download more slides, ebooks, and solution manual visit http://downloadslide.blogspot.com

Subject Index

Common-size financial statements, 189–190
Common stock accounting for issuances, 553–567
Subject Index

depreciation, accumulated, 41, 137
defined, 137
straight-line, 138
straight-line method of, 398–401
depreciation base, 398
determinable liabilities, 444, 468
diluted earnings per share, 613
dilution, 544–545
direct method of preparing statement of cash flows, 141–146, 659–660
discount on bonds payable, 500
discount rate, 513
discounts
bonds issued at, 498–502
cash, 254–256, 295–296
quantity and trade, 255
disposal of business segments, 608–609
of long-lived assets, 406–410, 417
dissimilar assets, 409
distributions to owners, 599
dividends
cash, 336–337, 563, 574, 659
defined, 11
on preferred stock, 549–550
preferred stock as to, 548
restrictions on payment of, 547
retained earnings and, 120, 561–567
stock splits in the form of, 563–564
dividends in arrears, 550
dividends payable, 446, 511
dividend strategies, 561–562, 574
Dividend yield ratio, 195
dollar, purchasing power of, 82
dollar value, 114
“Do Profits Matter?” (USA Today), 598
dot-com bubble, 235
double-declining-balance method, 399–401
double entry system, 122
DuPont model, 201
E
earned capital
components of, 44
defined, 540
relative importance of, 541–542
earning power, 12
earnings, predicting, 197. See also Retained earnings
“Earnings Hocus-Pocus” (Business Week), 185
earnings per share, 194
earnings-per-share disclosure, 613, 621
earnings persistence, 183, 212, 613, 615
earnings quality: assessing, 185–187
financial statements and, 212
unrecorded events and, 187
Economic consequence perspective, 4
Economic consequences of accounting for shareholders’ equity, 546–547, 573
of borrowing, 519
consolidating a subsidiary’s financial statement, 381
of the current ratio, 246
of financial information, 4, 28 of inventory flow assumption, 306, 307
of long-lived asset accounting, 416
of measuring/disclosing income, 597–598, 617
of the quick ratio, 246
of reporting liabilities, 439–441, 468
of reporting long-term liabilities, 487–488
of statement of cash flows, 648–650, 669
of working capital, 246
Economic entity assumption, 79, 83
Economic events, 14–17, 113–114, 152
Economic value, 88
Effective interest method, 492–493, 503, 514, 519
Effective interest rate, 497–498, 519
Effective rate of return, 512, 513
Employee compensation plans. See also Management compensation healthcare and insurance, 460–461
incentive plans, 448–450
pensions, 457–460
Employee Retirement Income Security Act (ERISA), 459
End-of-period adjustments available-for-sale securities, 338–339
trading securities, 338
Environmental cleanup costs, 437, 454–455, 590
Environmental Protection Agency (EPA), 454–455
Equipment
on the balance sheet, 41
financing example, 492–494
in notes to financial statement, 10
Equity. See also Return on equity (ROE);
Shareholders’ equity characteristics of, 542–543
cost of, 200
debt vs., 542–546, 551, 573
defined as element of financial statements, 599
dilution of ownership, 544–545
owners’, 13, 45
Equity holders, 542. See also Shareholders
Equity investment. See also Long-term equity investments
advantages of, 13–14
defined, 29, 333
reclassification of, 340
short term, 354–355
Equity investors, 17, 29
Equity markets, 567–568
Equity method of accounting
cautions with, 346–347
consolidated statements vs., 351–352, 365
key points, 365
for long-term investments, 343–347
Equity security investments
accounting for, summary overview, 354–355
classified as current, criteria for, 333–335, 364
determinable market value, 343
reclassification of, 340
risk in, 543
trading and available-for-sale, 335–341, 364–365
Equivalent value, 703, 705–707
EQISA (Employment Retirement Income Security Act), 459
Errors in the inventory count, 299–300
Escrow, 249
E-tailers, 636
Ethics, 16, 24–25
Europe
conservatism in, 441
debt financing in, 516
European Union (EU), 26
Events
economic, 14–17, 113–114, 152
relevant, 113
unrecorded, 180, 187
Exchange rate, 269
Exchange rate loss, 269
Exchange transaction, 129, 603–604
Exercising stock options, 559–560
Expensed costs, 133–138
Expense management, 201–202
Expenses
amortization, 137, 138
current, 135
defined, 11
defined as element of financial statements, 599
front-loading, 185
on income statements, 119, 604
miscellaneous, 654
in notes to financial statement, 10
operating, 46–47, 607
prepaid, 39, 135–136
Extraordinary items, 609–610

F

Face value, 87, 488, 495
Fair market value (FMV) acquisition of long-lived assets, 390–393
as basis for long-lived assets, 417
financial statements and, 84–85
of goodwill, 350–351
income statement and, 601–602, 617
long-term liabilities, 504–506
matching vs., 601–602
reporting regulations, 111
trade-ins of long-lived assets, 409
Fair market value option, 187, 347–348, 414, 504, 601
FASB. See Financial Accounting Standards Board (FASB)
Federal Reserve Board, 505, 513
Federal Trade Commission, 18
Fees earned, 46, 653
FIFO (first-in, first-out assumption), 302–304
Financial accounting
assumptions of, 79–84, 96
Economic entity assumption, 79
Financial accounting (continued)
- fiscal period assumption, 80–81
- going concern assumption, 81
- present value and, 709–710
- stable dollar assumption, 81–82

Financial accounting measurement
- building blocks of, 79
- conservatism exception to, 95, 97
- consistency principle, 92–93
- matching and revenue recognition, 90–92
- materiality exception to, 93–94, 97
- objectivity principle, 88–90
- principles of, 87–93, 97

Financial accounting numbers and management control, 177–178, 212

Financial accounting numbers as prediction aids, 178

Financial Accounting Standards
- No. 87, 459
- No. 88, 459

- accounting method, guidelines for changing, 93
- bank regulations, 268
- capital vs. operating lease criteria, 509
- on comprehensive income, 600
- on contingencies, 453
- fair value accounting requirements, 111
- IFRS US GAAP convergence, 31
- inflation reporting requirements, 83
- liabilites defined, 437
- mandated accounting changes, 610
- politics and the, 20–21
- present value standard, 89
- risk reporting requirements, 487–488
- on statement of cash flows, 642–643, 648, 649
- statement of comprehensive income requirements, 341
- Financial flexibility, 207, 646

Financial information
- calendar year vs. fiscal year, 80–81
- economic role of, 28
- in an efficient market, 234
- timely vs. objective, 80
- user orientation to, 5–14

Financial institutions
- selling bad debts to, 263
- uncollectable loans and, 268

Financial instruments, reporting standard, 347

Financial ratios
- asset turnover ratios, 193–194
- dividend yield ratio, 195
- earnings per share, 194
- leverage ratios, 191–192
- price/earnings (p/e) ratio, 195
- profitability ratios, 190–191
- shareholders’ equity and, 546
- solvency ratios, 192–193
- 245–246, 270–271
- stock price return, 195
- summary of, 195–197
- for well-known companies, 197

Financial reporting
- globalization and, 25–26
- international perspective on, 25–26
- investment decisions and, 3–4
- objectives of, 598
- regulations and standards, 19–20

Financial services industry, 244

Financial statement frauds, 24

Financial statements
- accounting equation and, 117–121
- analysis of, 12, 181–190, 212, 213, see also Financial ratios
- assumptions, 79–83
- auditor’s report and, 7–8
- audit report and, 28, 182–183
- balance sheet, 11
- business activities reflected in, 62
- business environment and, 181–182, 184, 212
- cash flows from, 650–659
- common-size, 189–190
- consolidated, 16
- earnings quality/persistence and, 185–187, 212
- economic consequence perspective, 4
- economic events reflected in, 14–17, 113–114, 152
- elements of, 599
- footnotes to, 10–11, 28, 184–185
- four types of, 28, 52
- income statement, 11
- international perspective on, 198–200, 213
- and inventory cost flow, 304–305
- key items, 235
- limitations in, 83
- long-lived asset accounting effect on, 386–389, 416
- management letter and, 8–9, 28
- management use of, 4, 18, 152
- market value and, 89
- non-U.S. vs. U.S. format, 63
- predicting earnings and, 179–181
- present value and, 88–89
- projecting, 208–209
- relationships among, 52–53, 53
- reporting entities, 16
- role of, 29
- significant transactions, examples of, 183
- statement of cash flows, 11
- statement of shareholders’ equity, 11
- for subsidiary’s, 382
- terms used on, 11–12
- user orientation, 9–12
- Financial statement users equity method cautions, 346–347
- orienting, 9–12
- receivable reporting, concerns about, 264–268, 273

Financing
- accounts payable used for, 445
- sources of, 540–542, 572–573

Financing activities
- cash flows from, 51, 644, 657–659, 668
- defined, 11, 35
- summarizing cash effect of, 663

Financing and investing transactions, 602–604, 620

First-in, first-out (FIFO) assumption, 302–304

Fiscal period assumption, 80–81, 83

Fiscal vs. calendar year reporting, 80–81

Fixed assets, 385

Fixed assets turnover, 194

FMV. See Fair market value (FMV)

FOB (free on board) destination, 295

FOB (free on board) shipping point, 294–295

Footnotes to financial statements, 10–11, 28, 184–185

Foreign currency exchange rate gains and losses, 665

Foreign currency exchange rates, 269

Foreign currency translations, 288, 355, 616–617

Foreign subsidiaries, 355

Form 10-K, 20

Form 10-Q, 20, 80

Form 20-F, 20

Fraud, 24, 92, 110, 173, 246, 265, 300

Freight-in, 295

Frequent (term), 607

Frequent-flyer programs, 447

Front-loading expenses, 185

Fundamental accounting equation
- assets in, 114–115
- business transactions and, 116–117
- financial statements and, 117–121
- journal entries and, examples, 122–123
- liabilities in, 115
- shareholders’ equity in, 115–116

Future earnings, 179–181

Future economic benefits, 81

Future value of annuity due, 700, 702, 717
- computation of, 698–702, 715
- of ordinary annuities, 700, 701, 716
- tables, 698–700, 715

G

Gain contingencies, 451, 453, 468–469

Gains
- defined as element of financial statements, 599
- realized, 337
- recognizing, 128–129
- unrealized, 337

Gains and losses, 599–600

GAAP (games accountants play), 648

General Accounting Office (GAO), U.S., 113

Generally accepted accounting principles (GAAP). See also US GAAP
- the audit report and, 182, 335
- on cash payments from leases, 509
Subject Index

and choice in preparing financial statements, 92
on comparing financial statements, 188
on cost allocation, 396, 398
on disposal of a business segment, 609
on earnings per share disclosure, 194, 613
on extraordinary items, 610
on financial statement preparation, 20–21
income statements and, 613
on long-lived assets, 407
on net income measures, 461
and PCAOB, 22
on pro forma disclosure, 181, 611
revenue recognition and, 264
on statement of cash flows, 642, 643
Georgia Institute of Technology, 49
Globalization, 25–26
Going concern assumption, 81, 83
Goods in transit, 294
Goodwill, 41–42, 350–351, 359–360, 412
Grice, John, 183
Griffin, Merv, 487
Gross method of accounting for cash discounts, 255–256
Growth companies, 561
H
Harrison, Walter, 234
Healthcare costs, postretirement, 460–461
Healy, David, 482
Health, Loyd C., 248, 664
Hedging, 269–270, 516
Hold-to-maturity securities, 514
Hidden reserves, 186, 267, 311–312, 404
Historical cost, 13, 87
Hogg, Sarah, 251
Holding gains or losses, 337
Holgate, Peter, 537
Home equity loans, 286
Hostile takeovers, 545
“How to Evaluate the ‘Quality’ of EPS” (Wayman), 206
Hybrid securities, 551, 589
I
IASB (International Accounting Standards Board), 20
IFRS. See International Financial Reporting Standards (IFRS)
Impairment of long-lived assets, 406–407, 417, 431
Incentive compensation, 177–178, 448–450
Incidental acquisition costs, 336
Income. See also Net income (profit) comprehensive, 340–341, 600–601
economic consequences of measuring/disclosing, 597–598, 617
measures of, 598–605
taxable, 27, 405, 448, 464–466
Income and asset measurement, 306–307
Income measurement, 601–602, 617
Income smoothing strategy, 311
Income statement accounting equation and the, 119–120
to assess solvency, 248
categories, 605–611, 613–615, 620
changes in accounting principles and, 610–611
defined, 11
deriving cash flow from, 650–659
disclosure, 605–611
disposal of business segments, 608–609
earnings-per-share disclosure, 613, 621
economic consequences of, 597–598, 617
extraordinary items, 609–610
financing and investing transactions on, 602–604
in international accounting, 616–617
investments and disclosure, 616–617
net income on the, 607
operating revenues and expenses, 607
operating transactions on, 604–605
other revenues and expenses, 47, 607–608
preparing using T-accounts, 128
presentation of, 605–611
pro forma reporting on, 611
subjectivity of categories on, 613–615
tax disclosure on, 612, 620–621
transaction categories, 602–605, 620
Income taxes conservatism ratio and, 464–466
deductible expenses, 544
deferred, 461–466
depreciation methods for, 404–405
disclosing, 612
inventory costs and, 305–306
liquidity and, 307
withholding for, 448
Income tax expense, 655–656
Income tax liability, 305, 448
Indefinite life intangibles, 411
Independent audit, 6
Independent auditors, 22, 23
Indirect method of preparing statement of cash flows, 141–146, 660–661
Industries, comparisons within, 188–189
Industry classifications, 16
Inflation, 82, 180, 697–698
Information systems, 26
Initial public offerings (IPOs), 235
Input market, 84, 96
Installment note payable, 507
Installment obligations, 488, 490–491
Insurance costs, postretirement, 460–461
Insurance expense, 654
Intangible assets acquisition of, 411
capitalization/amortization of, 137–138
characteristics of, 385
corporate software, 411–412
copyrights, 411
deferd costs, 385
goodwill, 412
measuring, 410–411
organizational costs, 412
overview, 41–42
patents, 411
physical assets vs., 234
R&D costs, 412–413
trademarks, 411
types of, 411
US GAAP vs. IFRS, 410
Intellectual property rights, 88
Intention to convert, 335
Interest accrued, 131–132
annual, 13
compound, 698
computation of, 696
controlling, 348
defined, 696
determining, 488
noncontrolling, 359–360
simple, 698
tax deductibility of, 544, 551
time value of money and, 696
Interest-bearing obligations, 488, 491
Interest coverage ratio, 192
Interest payment cash, 644
term of bond contract, 495, 496
Interest rates 2008-2009 financial crisis, 505
computation of, 707–708
effective, 490–491, 495,
497–498, 519
effective interest method and changing, 503, 519
prime, 513
stated, 497–498
Interest rate swaps, 516
Internal control systems, 8, 24
Internal information systems, 26
Internal Revenue Code, 27, 405, 448
Internal Revenue Service, 396, 406, 551
International accounting accounts receivable, 269–270
consolidated financial statements, 355
debt financing in, 510–511
equity markets in, 567–568
financial reporting in, 25–26
financial statement, 213
financial statement analysis in, 198–200
for foreign currencies, 288
income statement in, 616–617
long-term liabilities, 510–511
operating performance, 198–200, 213
reporting difficulties for multinationals, 140
statement of cash flows in, 664–665
US GAAP vs. IFRS, 95–96
International Accounting Standards (IAS), 483
International Accounting Standards Board (IASB), 20, 31
International Financial Reporting Standards (IFRS). See also US GAAP vs. IFRS
assets on the balance sheet, 38
best estimate used by, 454
conservatism under, 95
to download more slides, ebooks, and solution manual visit http://downloadslide.blogspot.com
International Financial Reporting Standards (IFRS) (continued)
extraordinary items category, 609
and intangible assets, 410
international perspective on, 52–56, 63
on inventory, 313
Japan’s adoption of, 313
land on the balance sheet under, 180, 391
LIFO under, 301, 307, 313
market value option, 348
politics and the, 20–21
provisions under, 456–457, 483
on R&D costs, 138
reporting difficulties for multinationals, 140
revenue recognition under, 252
SEC and, 26, 32
Statement of Recognized Income and Expense (SORIE), 341, 601
trend toward, 26, 198–200, 569
US adoption of, 307
US GAAP convergence, 31, 76
Internet companies
current assets, examples, 244
intangible assets, 410
leverage, reliance on, 541
long-term debt, 486
revenue overstatement, 265–266
revenue recognition, 108
Internet retailers (e-tailers), 636
Intraperiod tax allocation, 612, 620–621
Inventory, 331
accounting for, 291–292, 317
acquiring, 292–297
attaching costs to, 295–297, 317
defined, 291
errors in counting, 299–300
including items in, 293–295, 317
International Accounting Standard on, 313
in Japanese business, 312–313
key points, 316–317
lower-of-cost-or-market rule for ending, 310–312
merchandise, 39, 135
perpetual method of carrying, 297–300
relative size of, 291
of retail vs manufacturing companies, 296–297
selling, 301–310
supplies, 39, 135
"Inventory Chicanery Tempts More Firms, Fools More Auditors" (Wall Street Journal), 299–300
Inventory cost flow assumptions
average assumption, 302–304
federal income taxes and, 305–306
FIFO, 302–304
financial statements and, 304–305
key points, 317
LIFO, 302–304
trade-offs in choice of, 306–310
Inventory expense, 47
Inventory footnote, 329–330
Inventory fraud, 300
Inventory management, 291, 329–331
Inventory recovery, 311
Inventory turnover, 194, 307, 313
Inventory write-downs, 311, 329
Investing activities
cash flows from, 51, 644, 656–657, 668
defined, 11, 35
summarizing cash effect of, 663
Investment consumption vs., 5
good, 234
long-term, 40
short-term, 38, 334
Investment decisions
debt vs. equity, 13–14
economic consequences of, 4
effects of, 3
financial reporting and, 3–4
Investment property, 391
Investments by owners, 599
Investor fire drill, 3
Investors
debt vs. equity, 12–14
influence over management, 17, 177–178, 212, 342–344
reported values of liabilities, interest in, 439
IPOs (initial public offerings), 235
Issued preferred shares, 548–549
Italy, 511
J
Japan
debt financing in, 516
element of financial adjustments, 199–200
IFRS in, 313
inventory accounting in, 312–313
shareholder dividends, 511
Japanese Commercial Code, 511
Jeopardy, 114
Journal entries
adjusting, 259
compound, 122
economic events and, 121–128, 152
write-off, 259–260
Journal entry box, 122
Just-in-time (JIT) inventory systems, 312–313
K
Keon, Ed, 555
Knowledge asset, 410
Koetic, Nick, 313
Korea, 199–200
Kravis, Henry, 487
L
Labor, 575
Labor unions, 18, 177
Land
acquisition of, 391
defined, 385
in notes to financial statement, 10
purchase of, 656
Last-in, first-out (LIFO) assumption, 302–304
Lease accounting, 537
Leases
capital, 507–508, 519–520
defined, 485, 506
key points, 518
off-balance sheet financing, 508–510, 519–520
operating, 506, 519–520, 537
Legal liability, 16, 24
Lessee, 506
Lessor, 506
Lev, Baruch, 234
Leverage, 191, 439, 544
Leverage ratios
capital structure leverage, 191–192
common equity leverage, 191
long-term debt ratio, 192
Levitt, Arthur, 247
Liabilities. See also Current liabilities; Long-term liabilities
on classified balance sheet, 36
contingent, 451–456, 468
defferred income taxes, 461–466
defined, 11, 437, 468
defined as element of financial statements, 599
determinable, 444, 468
economic consequences of reporting, 439–441, 468
exchanges of, 603
in fundamental accounting equation, 115
relative importance of, 541–542
relative size of, 438
retirement-related, 457–461
variety of, 437
Liability (legal), 24, 246, 441
Liberty Manufacturing (case study), 721–724
Life of a bond, 495
LIFO (last-in, first-out) assumption, 302–304, 307
LIFO conformity rule, 305
LIFO cushion, 329
LIFO liquidation, 305, 308
LIFO method inventories, 331
LIFO reporting, 328
LIFO reserves, 309–310
Line of credit, 445
Liquidity, 36, 207, 307
Listed companies, 20
Loan contracts, 13, 17–18
Loans
home equity, 286
maturity date of, 445
real estate, 286
uncollectable, 268
Long, Andrew, 250, 251
Long-lived asset accounting
economic consequences of, 416
financial statement effects, 386–389, 416
general issues in, 386–389
key points, 416
matching principle and, 416
overview, 389
Long-lived assets
acquisition of, 390–393
capitalization/amortization of, 390–406, 416
copyrights, 411
cost allocation, 395–406

to download more slides, ebooks, and solution manual visit http://downloadslide.blogspot.com
Subject Index

depreciating, 398–399
disposal of, 406–410, 417
general issues in accounting for, 386–389
impairment of, 406–407, 417
improving and maintaining, 393–395
intangible, 410–411
land, 391
lump-sum purchases, 391–393
patents, 411
postacquisition expenditures with, 393–395, 416–417
relative size of, 385–386
retirement of, 406–407
sale of, 408–409
SFAS regulation, 431
trade-ins of, 409–410
trademarks, 411
types of, 385
useful life and salvage value, 395–398, 417
Long-term asset management, 201–202
Long-term debt ratio, 192
Long-term debts, 42, 446
Long-term equity investments accounting for, summary overview, 354–355
accounting method determination, 342
acquisitions and mergers, 348–350
cost method of accounting for, 343
criteria requiring, 334–335
equity method of accounting for, 343–347
fair market value option, 347–348
goodwill and, 350–351
key points, 365
reasons for, 341–342, 365
Long-term investments, 40
Long-term liabilities. See also Bonds; Liabilities
bonds payable, 485, 494–506
contractual forms, 488–489
current maturities of long-term debt, 42
defined, 437
economic consequences of reporting, 487–488
effective interest method of accounting for, 492
effective interest rate, 490–491
fair market value, 504–506
financial instruments, 504–506
international perspective on, 510–511
leases, 485, 506–510
notes payable, 485, 492–494
and notes to consolidated financial statements, 510
off-balance sheet risks, 504–506
overview, 43
relative size of, 486–487
Long-term notes payable, 492–494, 518
Long-term payables, 10
Loss contingencies, 451, 453–455, 468–469
accrued, 455–456
Losses
defined as element of financial statements, 599
net, 119
realized, 337
recognizing, 128–129
unrealized, 337
Lower-of-cost-or-market rule, 87, 95, 310–312, 317
Lump-sum purchases, 391–393

M
Machinery
depreciation of, 655
sales of, 655, 665–667
Maintenance, 394
Management
controlling bad debts, 263
financial accounting numbers and, 177–178, 212
financial statements and, 4, 18, 152
goal of, 270
investors/creditors influence over, 17, 18, 177–178, 212, 342–344
legal liability, 24
other companies influence on, 343–344
raising capital with debt vs. equity, 440–441, 544
reporting strategies, 186, 247, 267, 273, 407, 464–466, 649
shareholder’s influence over, 543
US vs. Japanese/Korean, 199–200
Management bias, 180
Management compensation bonus and profit-sharing, 468
incentive plans, 177–178, 448–450
stock options, 559–560
Management compensation contracts, 15, 19, 308, 405, 621
Management letter, 8–9, 28
Managerial accounting, 26–27
Managers
ethics, 16
legal liability, 16
professional behavior, 16
Mandatory changes in accounting principles, 610–611
Manufacturing industry, 16, 296–297
Markdowns, 255
Marketing costs, 430
Market prices, 19
Market-to-book ratio, 234, 553
Market value
financial statements and, 89
of share of stock, 574
of toxic assets, 85
Mark-to-market accounting, 340–341, 347–348, 365
Mark-to-market rule, 336
MasterCard, 253, 257
Matching concept of income, 601–602, 617
Matching principle
asset capitalization and, 133–134, 138–139
cost allocation and, 403
financial accounting measurement and, 90–92, 97
and LIFO assumption, 307
long-lived asset accounting, 416
Materiality, 93–94, 97
Maturity date
in bond contracts, 495
bond redemptions at or before, 504–506
of loans, 445
of notes receivable, 40
of short-term notes, 446
Maturity value, 488
Megamergers, 487
Merchandise inventory, 39, 135
Mergers, 348–349, 487
Michaelson Corporation (case study), 725–728
Milken, Michael, 487
Miscellaneous expenses, 653–654
Money, the price of, 696
Moody’s Investors Service, 181, 189, 257, 487, 536, 537, 546, 589, 635
Mortgage loans, 243
Mortgage market, subprime, 635
Mortgage payables, 43
Mortgages, 85, 286, 492
Mortgages market, subprime, 537
Multinational corporations
accounts receivable, 269
consolidated financial statements for, 355
reporting difficulties of, 140
Munro, Rupert, 180, 487

N
Natural resource costs, 385
Natural resource depletion, 402
Negative retained earnings, 566–567
Net assets, 540
Net book value, 41, 87
Net cash flows, 11, 54
Net earnings, 45
Net income (profit). See also Profits
defined, 11, 119
executive compensation based on, 448–450
as measure of operating performance, 45–46
measuring, 129, 607
taxable income vs., 27
Net loss, 45, 119
Net of tax, 612
Net operating income, 607
Net realizable value, 87, 254
Net sales, 256
Net value, 41
Net worth, 540
New Century, 3
New York Stock Exchange (NYSE), 18, 140
Noncash transactions, 648
Noncontrolling interest, 359–360
Noncumulative preferred stock, 550
Noncurrent assets, 245
Non-interest-bearing obligations, 488
Nonparticipating preferred stock, 550
Norwalk Agreement, 26
Notes, short-term, 445–446
Notes payable
accounting for long-term, 492–494
cash inflow from, 657
defined, 485
installment, 507
long-term, 43
principal payment on, 657
types of, 489
Notes receivable, 40
Notes to financial statement, 10
<table>
<thead>
<tr>
<th>Subject Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recognition of gains and losses, 128–129</td>
</tr>
<tr>
<td>Record control of cash, 251, 273</td>
</tr>
<tr>
<td>Recoveries</td>
</tr>
<tr>
<td>bad debts, 261</td>
</tr>
<tr>
<td>inventory, 311</td>
</tr>
<tr>
<td>Redeemed bonds, 504–506</td>
</tr>
<tr>
<td>Refinancing, 492</td>
</tr>
<tr>
<td>Relevant events, 113</td>
</tr>
<tr>
<td>Rent. See Leases</td>
</tr>
<tr>
<td>Replacement cost, 84–85, 97</td>
</tr>
<tr>
<td>Reporting entities, 16</td>
</tr>
<tr>
<td>Reputation, professional, 24–25</td>
</tr>
<tr>
<td>Research and development (R&amp;D) costs, 138, 412–413</td>
</tr>
<tr>
<td>Reserves, hidden, 186, 267, 311–312, 404</td>
</tr>
<tr>
<td>Residual interest, 543</td>
</tr>
<tr>
<td>Restrictions on bond contracts, 495</td>
</tr>
<tr>
<td>Restrictive covenants, 489</td>
</tr>
<tr>
<td>Retail industry, 16</td>
</tr>
<tr>
<td>accounts payable in, 444–445</td>
</tr>
<tr>
<td>current assets, examples, 244</td>
</tr>
<tr>
<td>inventory costs determination, 296</td>
</tr>
<tr>
<td>inventory holdings, 115</td>
</tr>
<tr>
<td>Retained earnings</td>
</tr>
<tr>
<td>appropriations of, 566</td>
</tr>
<tr>
<td>capitalized, 564</td>
</tr>
<tr>
<td>defined, 11, 44, 560</td>
</tr>
<tr>
<td>dividends and, 120, 561–567</td>
</tr>
<tr>
<td>negative, 566–567</td>
</tr>
<tr>
<td>prior period adjustments and, 567</td>
</tr>
<tr>
<td>in shareholder’s equity, 115</td>
</tr>
<tr>
<td>Retirement</td>
</tr>
<tr>
<td>of long-lived assets, 406–407</td>
</tr>
<tr>
<td>of long-term debts, 446</td>
</tr>
<tr>
<td>Retirement costs</td>
</tr>
<tr>
<td>healthcare and insurance, 460–461</td>
</tr>
<tr>
<td>pensions, 457–460</td>
</tr>
<tr>
<td>Return on assets (ROA), 190–191, 201–202</td>
</tr>
<tr>
<td>Return on equity (ROE)</td>
</tr>
<tr>
<td>See also Equity analysis of, 201–202</td>
</tr>
<tr>
<td>function of, 190, 200</td>
</tr>
<tr>
<td>JCPenney vs. Kohl’s, 202–205</td>
</tr>
<tr>
<td>profitability ratios, 190</td>
</tr>
<tr>
<td>risk and, 543–544</td>
</tr>
<tr>
<td>shareholder value creation and, 270–271</td>
</tr>
<tr>
<td>Return on equity (ROE) model, 200</td>
</tr>
<tr>
<td>Return on sales (profit margin), 191</td>
</tr>
<tr>
<td>Reuters, 187</td>
</tr>
<tr>
<td>Revaluation adjustments, 139</td>
</tr>
<tr>
<td>Revenue</td>
</tr>
<tr>
<td>defined, 11</td>
</tr>
<tr>
<td>defined as element of financial statements, 599</td>
</tr>
<tr>
<td>on income statements, 119, 604</td>
</tr>
<tr>
<td>operating, 46</td>
</tr>
<tr>
<td>service, 46</td>
</tr>
<tr>
<td>unearned, 135, 136, 446–447</td>
</tr>
<tr>
<td>Revenue and expenses</td>
</tr>
<tr>
<td>gains and losses vs., 599–600</td>
</tr>
<tr>
<td>unusual and infrequent, 609–610</td>
</tr>
<tr>
<td>unusual or infrequent, 607–608</td>
</tr>
<tr>
<td>usual and frequent, 607</td>
</tr>
<tr>
<td>Revenue recognition, 10, 108</td>
</tr>
<tr>
<td>Revenue recognition criteria, 252, 264</td>
</tr>
<tr>
<td>Revenue recognition principle, 90–92, 97</td>
</tr>
<tr>
<td><em>The Rise of International Equity</em> (Osborn), 569</td>
</tr>
<tr>
<td>Risk, 543, 635</td>
</tr>
<tr>
<td>Risk-free (riskless) return, 200, 513</td>
</tr>
<tr>
<td>Risk premium, 200, 513, 514</td>
</tr>
<tr>
<td>Risk reduction (hedging), 269–270, 516</td>
</tr>
<tr>
<td>ROA. See Return on assets (ROA)</td>
</tr>
<tr>
<td>ROE. See Return on equity (ROE)</td>
</tr>
<tr>
<td>S</td>
</tr>
<tr>
<td>Sales of assets, 603–604</td>
</tr>
<tr>
<td>cash inflow from, 652–653</td>
</tr>
<tr>
<td>credit, 39</td>
</tr>
<tr>
<td>expense management and, 201–202</td>
</tr>
<tr>
<td>of inventory, 301–310</td>
</tr>
<tr>
<td>of long-lived assets, 408–409</td>
</tr>
<tr>
<td>of machinery, 655, 656–657</td>
</tr>
<tr>
<td>net, 256</td>
</tr>
<tr>
<td>return on (profit margin), 191</td>
</tr>
<tr>
<td>revenue account, 46</td>
</tr>
<tr>
<td>Sales discounts. See Cash (sales) discounts</td>
</tr>
<tr>
<td>Sales on account, 39</td>
</tr>
<tr>
<td>Sales returns, 254, 263–264</td>
</tr>
<tr>
<td>Salvage value, 396–397</td>
</tr>
<tr>
<td>Sarbanes-Oxley Act, 24, 31, 113</td>
</tr>
<tr>
<td>SEC. See Securities and Exchange Commission (SEC)</td>
</tr>
<tr>
<td>Secured notes, 492</td>
</tr>
<tr>
<td>Securities</td>
</tr>
<tr>
<td>current, 333–335</td>
</tr>
<tr>
<td>held-to-maturity, 514</td>
</tr>
<tr>
<td>price changes, 337–338</td>
</tr>
<tr>
<td>readily marketable, 38, 334</td>
</tr>
<tr>
<td>trading and available-for-sale, 335–341, 514</td>
</tr>
<tr>
<td>Securities Act of 1933, 19–20</td>
</tr>
<tr>
<td>Securities and Exchange Commission (SEC)</td>
</tr>
<tr>
<td>on audit committee members, 23</td>
</tr>
<tr>
<td>compensation disclosure regulation, 450, 481</td>
</tr>
<tr>
<td>Datapoint charges, 247</td>
</tr>
<tr>
<td>enforcement actions for accounting abuses, 265</td>
</tr>
<tr>
<td>financial statements provided to, 80</td>
</tr>
<tr>
<td>Form 10-K, 20</td>
</tr>
<tr>
<td>Form 10-Q, 20, 80</td>
</tr>
<tr>
<td>Form 20-F, 20</td>
</tr>
<tr>
<td>IFRS US GAAP convergence, 32, 76</td>
</tr>
<tr>
<td>international accounting standards, 32</td>
</tr>
<tr>
<td>materiality guidelines, 94</td>
</tr>
<tr>
<td>on opinion shopping, 23</td>
</tr>
<tr>
<td>overview, 19–20</td>
</tr>
<tr>
<td>on pro forma numbers, 181</td>
</tr>
<tr>
<td>and qualitative analysis, 94</td>
</tr>
<tr>
<td>Quovadx Inc. investigation, 261–262</td>
</tr>
<tr>
<td>Securities Exchange Act of 934, 20</td>
</tr>
<tr>
<td>Security in bond contracts, 495, 496</td>
</tr>
<tr>
<td>Seidman &amp; Seidman, 440</td>
</tr>
<tr>
<td>Service industry, 16</td>
</tr>
<tr>
<td>Service revenue, 46</td>
</tr>
<tr>
<td>SFAS. See Statements of Financial Accounting Standards (SFAS)</td>
</tr>
<tr>
<td>Share-based Payment, 592</td>
</tr>
<tr>
<td>Share capital, 548</td>
</tr>
<tr>
<td>Shareholders</td>
</tr>
<tr>
<td>concerns primary to, 13</td>
</tr>
<tr>
<td>debt financing, value to, 439</td>
</tr>
<tr>
<td>equity investment with, 13</td>
</tr>
<tr>
<td>equity relationship with, 542</td>
</tr>
<tr>
<td>exchanges with, 602–603</td>
</tr>
<tr>
<td>influence over management, 543</td>
</tr>
<tr>
<td>liability of, 44</td>
</tr>
<tr>
<td>reported values of liabilities, interest in, 439</td>
</tr>
<tr>
<td>Shareholders’ equity. See also Equity: Stock accounting for, 43–45, 547–553, 573</td>
</tr>
<tr>
<td>on the classified balance sheet, 43–45</td>
</tr>
<tr>
<td>components of, 115</td>
</tr>
<tr>
<td>contributed capital, 115</td>
</tr>
<tr>
<td>debt vs. equity and, 542–546</td>
</tr>
<tr>
<td>defined, 11</td>
</tr>
<tr>
<td>earned capital, 44</td>
</tr>
<tr>
<td>economic consequences of accounting for, 546–547</td>
</tr>
<tr>
<td>exchanges of, 602–603</td>
</tr>
<tr>
<td>and financial ratios, 546</td>
</tr>
<tr>
<td>in fundamental accounting equation, 115–116</td>
</tr>
<tr>
<td>liability exchanges and, 603</td>
</tr>
<tr>
<td>and organizational form, 44–45</td>
</tr>
<tr>
<td>retained earnings, 115</td>
</tr>
<tr>
<td>as source of financing, 541–542</td>
</tr>
<tr>
<td>statement of, 567</td>
</tr>
<tr>
<td>Shareholder value creation, 200, 202–205, 270–271</td>
</tr>
<tr>
<td>Shipping costs, 294–295</td>
</tr>
<tr>
<td>Short-term debts, 445–446</td>
</tr>
<tr>
<td>Short-term equity investments, 354–355</td>
</tr>
<tr>
<td>Short-term investments, 38, 334</td>
</tr>
<tr>
<td>Short-term notes, 445–446</td>
</tr>
<tr>
<td>Short-term payables, 10</td>
</tr>
<tr>
<td>SIC (Standard Industrial Classification) Index, 16</td>
</tr>
<tr>
<td>Significant influence, 17, 344, 347, 348</td>
</tr>
<tr>
<td>Significant noncash transactions, 648</td>
</tr>
<tr>
<td>Significant transactions, 183</td>
</tr>
<tr>
<td>Simple interest, 698</td>
</tr>
<tr>
<td>Small Business Administration (SBA), 113</td>
</tr>
<tr>
<td>Smith, Clifford, 25</td>
</tr>
<tr>
<td>Smith, Whit, 448</td>
</tr>
<tr>
<td>Software development, 114, 411–412</td>
</tr>
<tr>
<td>Solvency, 12, 646</td>
</tr>
<tr>
<td>Solvency assessment, 206–207, 270–271. See also Cash flow analysis</td>
</tr>
<tr>
<td>Solvency assessment measures, 245, 247–248, 271–272</td>
</tr>
<tr>
<td>Solvency ratios</td>
</tr>
<tr>
<td>accounts payable turnover, 192–193</td>
</tr>
<tr>
<td>accounts receivable turnover, 271</td>
</tr>
<tr>
<td>current ratio, 192, 245–246, 270–271</td>
</tr>
<tr>
<td>interest coverage ratio, 192</td>
</tr>
<tr>
<td>quick ratio, 192, 245–246, 270–271</td>
</tr>
<tr>
<td>Sonar-Sun Inc (case study), 728–734</td>
</tr>
<tr>
<td>Special purpose entities (SPEs), 353</td>
</tr>
</tbody>
</table>
No. 144, 431
No. 2, 413
No. 5, 453
No. 86, 411
No. 95, 641, 648
Statement of financial condition, 36
Statement of Recognized Income and Expense (SORIE), 341, 401
Statement of shareholders’ equity
accounting equation and, 120–121
defined, 11
deriving cash flow from, 650–659
overview, 48–49
requirements for, 567
Stimulus bill, 430
Stock. See also Shareholders’
equity
book value, 552
common, 552
issuance of, 541
market-to-book ratio, 553
market value, 552
par value, 553
predicting prices of, 198
preferred, 548–551
repurchase of, 547, 554–555, 589, 592
Treasury, 545, 554–559, 574, 657–659
Stock dividends, 542, 543, 563–565, 574–575. See also Dividends
Stock exchanges, 48–49–569
Stockholders. See Shareholders
Stock issuances
authorization for, 574–575
methods used to account for, 573, 575
Stock options, 559–560
Stock price appreciation, 29
Stock price return, 195
Stock splits, 564–565, 574–575
Stock splits in the form of dividends, 563–564
Straight-line depreciation, 138
Straight-line method of amortization, 398–399
double-declining-balance method vs., 400–401
Subprime mortgage market, 85, 537, 635
Subsidiaries, 41, 79, 335, 381, 382
Supplies inventory, 39, 135
Supreme Court, U.S., 94

T
Table factors (time value),
698–700
T-account analysis, 141–147
T-accounts, 123–128, 152
Takeovers, 545
Taking a bath, 185, 267, 407
Taxable income, 27, 405, 448, 464–466
Tax accounting, 27–28
Tax allocation, intraperiod, 612
Technical obsolescence, 396
Technic Enterprises (case study), 728–734
Telecommunications industry,
244, 245–246
Temporary accounts, 128
TheStreet.com, 178
Third-party collections, 447–448
Third-Party labor, 575
Tilson, Whitney, 110
Time, comparisons across, 188
Timeliness of accounting information, 80
Time value of money
factors affecting size of, 697
future value, 698–702, 715
illustration of, 703–707
inflation and, 697–698
interest and, 696–697
present value, 702–703, 709–710, 715
rate of return and, 707–708
Total asset turnover, 194
Trade discounts, 255
Trade-ins, 409–410
Trademarks, 411
Trading debt securities, 514
Trading securities, 335–341, 364–365, 514
Transactions
significant, 183
significant noncash, 648
Transportation-in, 295
Treasury notes, 513
Treasury stock, 545, 554–559, 574, 657–659
Troubled Asset Relief Program
(TARP), 268
True value vs. book value, 179
Trump, Donald, 487
Turner, Ted, 555
Turnover
accounts payable, 192–193
fixed assets, 194
on the income statement, 54
inventory, 194, 307, 313
receivables, 193
revenue vs., 54
total asset, 194

Type I foreign subsidiaries, 355
Type II foreign subsidiaries, 355

U
Uncollectible loans, 268
Uncollectibles, 39. See also Bad
debts (uncollectibles)
Unearned revenues, 108, 135, 136, 446–447
United States
credit crisis, 3
dollar, 82
financial crisis of 2008–2009,
85, 187, 450, 505, 537, 549, 592
recession of 2008–2009, 31,
253, 268, 407, 430, 450, 536
subprime mortgage market,
85, 537, 635
Units-of-production method, 402
Unrealized gains and losses,
337
Unrealized price changes,
337–338, 339
Unrecorded events, 180, 187
Unsecured bonds, 497
Unsecured notes, 492
Useful life, 395–398, 417
User decision-making, 3
User orientation, 4
Users (interested parties)
financial reporting and
investment decisions, 3, 669
orientation to financial information, 5–14
US GAAP. See also Generally accepted accounting principles (GAAP)
contingent liabilities under,
456–457
effects of inflation, 180
on financial statement
preparation, 20–21
IASB, trend toward, 26
IFRS convergence, 31, 76
inventory write-downs under,
311
LIFO company reporting, 309
on R&D costs, 138
reconciliation report
requirements, 433
reporting difficulties for
multinationals, 140
and revaluations of property,
411
revenue recognition under,
252
and unrecorded events, 180
Subject Index

US GAAP vs. IFRS
accounting disclosure requirements, 511
accounting liabilities, 437
bad debt, 264
basic accounting equation, 118
capital lease accounting, 509
changes in comprehensive income statements, 540
choice of accounting method, 187
complete financial statements requirement, 49
consistency principle, 94
contingent losses accrual, 453
current, definition of, 245
definition of control for purposes of consolidation, 348
depreciation accounting, 403
fair market value accounting, 413–414, 601
fair market value option, 187, 504
fundamental differences, 97
impairment charges, 407
income measurement systems, 602
on intangible assets, 410
interest disclosure, 660
internally generated development costs, 413
international perspective on, 95–96
investment property, 391
long-term liabilities, 485
lower-of-cost-or-market rule application, 311
materiality, 94
non-controlling interest regulations, 360
non-public companies accounting, 183
objects and elements of income, 599
property, plant, and equipment valuation, 90
reducing reported earnings, 95–96
revaluations to fair market value, 413–414
revenue recognition, 92, 252
segment information, 184
statement of cash flows, 640, 664
working capital, definition and use of, 245
Usual (term), 607

V
Valuation bases, 84–87, 96–97
Value. See specific headings for, e.g. Present value
Value creation, 569
Value creation determinants, 201–202
Value Line, 181
VISA, 253, 257

W
Wages, accrued, 130–131
Warranties, 455–456
Wayman, Rick, 206
Wendy’s/Arby’s Group, 248
Wheel of Fortune, 114
“Why Cash Is King in the Current Climate” (Wall Street Journal), 664
Window dressing, 247, 273, 649
Withdrawals, 45
Working capital defined, 245, 272
economic consequences of, 246
IFRS vs. US GAAP, 245
long-term asset management and, 201–202
World Trade Organization, 257
Write-downs, 311, 329, 407, 432
Write-off journal entries, 259–260

Z
Zenith Creations (case study), 739–744
Company Index

A
A & E Television Networks, 342
Abbott Laboratories, 336–340, 413, 481
ABC Enterprises, 311
ABC Family, 485
ABC Incorporated, 391–393
Agilent Technologies, 480
AIG, 450
Airbus, 244, 380, 431
Alcoa, 80, 178, 311, 360, 534
Aldi, 291
Aluminum Company of America, 449
Amazon.com, 16, 44, 51, 80, 93, 179, 197, 302, 445, 542, 566, 592, 636
American Brands Inc., 617
American Electric Company, 344
American Express Company, 16, 463, 569
American Family Corp., 617
American Stores, 546
America Online, 93, 173, 430
AM International, 206, 649
AMP Incorporated, 448
Anheuser-Busch, 405
Ann Taylor Stores, 291
Apple, Inc., 1, 254, 339, 592
Apple Computer, 182, 554
Arby’s, 244, 245
Arthur Andersen, 24
Ashland Oil, 449, 621
AT&T, 16, 38, 182, 197, 199, 244, 245–246, 249, 253, 292, 341, 347, 380, 393, 438, 485, 486, 489, 494, 608, 647
Atlantic Richfield Company, 248, 308
Avco, 555
Avis Budget Group, 49, 85, 464, 611
B
Bank of America, 39, 43, 44, 184, 196, 197, 232, 243, 244, 245, 249, 253, 266, 286, 292, 438, 450, 486, 607, 608
Bank of America Corporation, 131–132
Bank of China, 597
Bank of New York, 382, 487
Bank of New York Mellon, 14
Bear Steams, 243, 265, 592
Beazer Homes, 538
Bed & Body Works, 16
Bed Bath & Beyond, 12, 57–61, 231
Belden Inc., 343
BellSouth, 459
Bennet Corporation, 561
Benneton Group, 348
Benneton Sportysystem, 348
Bethlehem Steel, 441
Biomet, 337, 642
Blackstone, 18
Blackstone Group, 540
Blockbuster, 418
Blockbuster Video, 92, 108, 234
BMW, 174, 637
The Boeing Company, 25, 39, 40, 44, 73–74, 88–89, 93, 244, 345, 399, 401, 413, 449, 535
Borders Group, Inc., 34
Boston Scientific, 558, 608
Bowater Mercy Paper Company, 691
BP Amoco, 233
Bristol-Myers Squibb, 346, 449, 454, 562, 613, 614, 615, 637, 641
Broadcom, 560
Broadview Financial Corporation, 23
Burlington Northern, 432
C
Carrefour, 638
Campbell Soup Company, 109, 173, 232, 600, 609
Campeau Corporation, 206, 480
Canadian Imperial Bank of Commerce, 589
Capital Cities/ABC, Inc., 79
Carrington Labs., Inc., 81
Caterpillar, 635
CBS, 347, 497, 540
CBS Television Distribution, 114
Cendant Corp., 252
Center Energy Corporation, 73
Chase Manhattan, 349
Chemical Bank, 349
Chevron, 245, 249, 252, 253, 292, 346–347, 381, 438, 486, 541
Chevron Texaco, 244
China Construction Bank, 597
Chrysler, 407, 448
Cineplex, 418
Cisco Systems, 42, 80, 123, 200, 244, 245–246, 249, 253, 292, 333, 342, 412, 431, 438, 486, 541, 562
CIT Group, 440
Citicorp, 16
Citigroup, 259, 286, 540, 545, 549
Clos du Bois Wines, 80
Coca-Cola, 346, 353, 397, 446, 569, 616
Coca-Cola Company, 14, 41, 114, 117
Coca-Cola Enterprises, 346, 464, 554, 608
Colgate-Palmolive Company, 617
Columbia Broadcasting System (CBS), 555
Comcast, 76, 79
ComNet Corp., 299–300
Comtronix Corp., 300
Computer Associates International, 264
Computer Services, 408
ConocoPhillips, 40, 350, 402
Consolidated Freightways, 480
Continental Airlines, 31, 447
Countrywide Mortgage, 243
Cummings, Inc., 439, 506
Cummins Engine Company, 73, 246
CVS Caremark, 635
CVS Corporation, 128, 299
D
Daimler, 84
Danone Group, 694
Dart Group Corporation, 545
Datapoint, 247
Deere & Company, 81, 268, 328
Dell, Inc., 22, 47, 296, 556

to download more slides, ebooks, and solution manual visit http://downloadslide.blogspot.com
to download more slides, ebooks, and solution manual visit http://downloadslide.blogspot.com
Microsoft, 18, 184, 197, 447, 481, 562, 592
Microsoft Corporation, 333
MicroStrategy, 30, 92, 640, 669
Midland Plastics, 398
MiniScribe, 265
Mitsubishi Motors, 84, 312
Moen Faucets, 89
Molson Coors Brewing Company, 394
Monsanto, 47, 307
Moog, Inc., 440
Morgan Stanley, 560
Morningstar, 233
Motorola, 19, 184, 269–270, 441, 560, 637, 664

Pfizer, 233, 540
PG&E Corporation, 551
Phar-Mor, 300
Philip Morris Companies, 480, 589
Pier 1 Imports, 257
Pillsbury, 621
Pillsbury Company, 178, 558, 615
Polaroid, 407, 637
Prada, 511
PriceLine.com, 108, 549, 567
PriceWaterhouseCoopers, 30, 31
Procter & Gamble, 296, 454, 547, 565
Prudential Insurance, 16

Quaker Oats, 285, 366
Qwest Communications International, 24

RadioShack Corporation, 186, 246, 260
Ralston Purina Company, 612
Ranier Corporation, 299–300
Raytheon, 265
RCA Corporation, 342
Ready Mix, Inc., 485
Regina Corporation, 265
Revlon Group, Inc., 555
R.H. Macy, 206, 445
Rhodia, 545, 591
Rite Aid, 24
R.J. Reynolds Industries, 288
RR Nabisco, 296
Roadway Services, 480
Rockwell Holding Company, 454
Rockwell International, 94, 449
Royal Dutch Shell, 382
RTE Corporation, 403

Safeco Insurance, 463
Safeguard Scientifics, 285, 663
Safeway Stores, Inc., 244, 297, 545, 555
Sageworks, 235
Saks, 294, 646
Sambo’s Restaurants, 206, 649
Sandoz Ltd., 366
Sanwa, 312
Satellite Business Systems (SBS), 172, 648
SBC Communications, 495
Scott Paper Company, 505
Sears, 259, 267, 296, 550, 608
Sears, Roebuck & Company, 562
Sears Holdings Corporation, 18
Seattle Film Works, 430
Seekingalpha.com, 287
Segway, LLC, 591

Sherwin Williams, 329–330, 492
Simon Property Group, 246
Sony, 380, 407, 569
Southwest Airlines, 73–74, 464, 535, 604, 640
Sprint Nextel, 482
Standard Oil of California, 308
Staples, 234
Starbucks, 334, 346, 381, 610, 641, 695
Stelco, 550
Sun Company, 534
Sundstrand Corporation, 405
Sun Microsystems, 487
SUPERVALU, 257, 260, 331, 508, 510, 664, 692–693

Target Corporation, 81, 121, 291, 296, 297, 311, 349, 399, 408, 444, 447, 559, 560
Taylor Motor, 130–131
Tenent Healthcare, 538
Texaco, 308, 329
Texton, 540
3M, 270, 487
TII Industries, 329
Time Warner, 93, 347, 547, 616–617
Tiny Inc., 351–352
Tiebout, 80
Toyota, 77, 84, 312, 313
Toys “R” Us, 16, 234, 561–562
TransDigm Group, 174
TRE Corporation, 360
Tristar, 401
Turner Broadcasting Systems (TBS), 347, 547, 555
TXU Corporation, 48
Tyco International, 173

Umbro, 175
Unilever, 456, 495
Unilever Group, 52, 54–56, 95, 140, 173, 556, 563, 593, 601
Union Carbide Corporation, 88, 307
United Airlines, 88–89, 396, 407
United Launch Alliance, 345
Universal Leaf Tobacco, 81
Unocal Corporation, 449
UPS, 342
Urban Outfitters, 565
US Airways, 240
U.S. Robotics, 108
U.S. Steel Corporation (US Steel), 309–310

V
cV&M Star, 430
Valero Energy Corp., 329

Van Camp Seafood, 612
Verizon Communications, 41, 172, 257, 382, 492, 494
Verizon Wireless, 382
Victoria’s Secret, 16
Voya, 600
Vivendi SA, 76
Vodafone, 233, 382
Volkswagen AG, 483, 638
Vonage Holdings Corporation, 41, 178, 482

W
cWalgreen’s, 232, 305, 306
Walgreens, 465, 646
Wal-Mart, 16, 39, 47, 81, 184, 193, 234, 240, 256, 292, 296, 510
Wal-Mart Supercenters, 291
Walt Disney Company, 40, 46, 79, 184, 200, 342, 485, 487, 555, 591
Wang Laboratories, Inc., 411–412
Washing Post Company, 503, 551, 691
Waste Management Inc., 437
WellPoint, 39
Wells Fargo, 286, 485
Wendy’s/Arby’s Group, 249, 253, 292, 438, 486, 542
Wendy’s International, 188, 195, 244, 245, 341
Western Airlines, Inc., 349
Western Savings of Phoenix, 615
Westinghouse, 268
Westinghouse Electric Corp., 590
Wetherill Associates, 25
Weyerhaeuser Company, 135, 554, 636
Whirlpool Corporation, 609
Wickes, 649
Wickes Lumber, 206
WorldCom (MCI), 24, 110, 133, 173, 394, 487
Worthington Foods, 393
W.F. Grant, 173, 206, 649

X
cXerox Corp., 24, 241

Y
cYahoo!, 16, 39, 51, 173, 179, 244, 245–246, 249, 253, 292, 438, 486, 567, 608
Yellow Freight Systems, 480

Z
cZimmer, 390
Zimmer Holdings, 35

to download more slides, ebooks, and solution manual visit http://downloadslide.blogspot.com