

Preface

Welcome to the 13th edition of *Accounting for Governmental and Nonprofit Entities*. This book continues to be the leading governmental and not-for-profit accounting text, in part because of the tremendous contributions of Dr. Leon E. Hay, now retired. Dr. Hay joined Professor R. M. Mikesell of Indiana University–Bloomington in 1961 on the third edition of this book, which was first published in 1951. Dr. Earl R. Wilson joined with the ninth edition (1992) and Dr. Susan Kattelus with the 11th edition (1999) of the text. Both have followed Dr. Hay’s example by serving as President of the Government and Nonprofit (GNP) Section of the American Accounting Association and as members of the Governmental Accounting Standards Advisory Council, among other councils and boards. Professors Wilson and Kattelus are active in many professional organizations and regularly teach the GNP course at their universities while serving as Director of the school and Head of the department, respectively. Drs. Wilson and Hay are two of only eight people who have received the Enduring Lifetime Contribution Award from the Government and Nonprofit Section of the American Accounting Association.

ORGANIZATION AND CONTENT

Chapters 1 through 9 of this text focus on accounting and financial reporting issues of governmental entities at the state and local levels that follow the relatively new financial reporting model prescribed by *GASB Statement No. 34* (GASBS 34). Chapters 10 and 11 are similar in that they describe how decision makers can use audited annual financial statements to analyze the financial performance of an entity. In Chapters 12 through 17, readers will examine the accounting and financial reporting issues of federal government agencies, the federal government as a whole, and not-for-profit organizations as they demonstrate accountability for financial and operational performance and compliance with regulations to resource providers and other interested parties. Chapters 14 and 15 form a pair of chapters describing nongovernmental, not-for-profit organizations. Chapters 16 and 17 pay particular attention to the higher education and health care industries, respectively, encompassing entities that have governmental, commercial, and not-for-profit legal structures.

KEY CHANGES IN THIS EDITION

The previous two editions were substantially revised for the FASB *Statement No. 117* reporting model for not-for-profit organizations and GASBS 34 reporting model for state and local governments. In this edition, users will find these reporting models developed further in the text and in significantly revised end-of-chapter materials that assess competencies needed by users and preparers of external financial reporting. In addition, the broader set of financial management competencies needed by managers and oversight bodies of governmental and not-for-profit organizations are developed. For example, we present tools necessary for demonstrating accountability for financial and operational performance to resource providers and other decision makers. Cases

are included to challenge students to examine the integration of the budget function in an organization with the accounting function.

As always, readers can count on this edition to include authoritative changes from the Financial Accounting Standards Board, Governmental Accounting Standards Board, Federal Accounting Standards Advisory Board, American Institute of Certified Public Accountants, Office of Management and Budget, and General Accounting Office.

INNOVATIVE PEDAGOGY

For state and local government accounting, the authors have found that *dual-track* accounting is an effective approach in showing the juxtaposition of government-wide and fund financial statements in the GASBS 34's integrated model of basic financial statements. It allows students to see that each transaction has an effect on the fund financial statements (that are designed to show fiscal compliance with the annual budget), on the government-wide financial statements (that demonstrate accountability for operational performance of the government as a whole), or both. This approach better serves students who will design and use accounting information systems, such as enterprise systems, to allow information to be captured once and used for several purposes. Accounting for federal agencies as well as nongovernmental, not-for-profit entities closely parallels this approach as traditional fund accounting may be appropriate for keeping track of resources with restricted purposes, but citizens and donors also need to see the larger picture of the entity as a whole.

Governmental entities may continue to prepare fund-based statements throughout the year and convert to accrual-based government-wide statements at the end of the year until they invest in information systems that can deliver real-time information for decision making. We want students to think beyond being transaction-bookkeepers and aspire to design and use the systems that will make government-wide financial information available when managers and citizens need it. The City of Smithville Computerized Continuous Problem is a teaching tool that develops these skills and perspective. The authors feel so strongly that this general ledger software tool helps students understand the material that we again provide it with the text. Students have enthusiastically told us that they like “learning by doing” and that the City of Smithville problem helped them to understand the concepts in the book.

TARGET AUDIENCE

The text continues to be best suited for senior and graduate accounting majors who plan to sit for the certified public accountant (CPA) exam and then audit governmental or nonprofit entities. Public administration and other students who plan to provide financial management or consulting services to government and nonprofit entities report that the text provides a more comprehensive set of competencies than traditional public budgeting texts. Students in nonprofit management education programs find that the coverage of accounting, financial reporting, auditing, taxation, and information systems for both governmental and nonprofit entities provides the exposure they need to work across disciplines and sectors. Finally, students preparing for the certified government financial manager (CGFM) exam will also find chapters 1 through 12 useful for Examination 2. We encourage all students who use this book to consider the challenge and rewards of careers in public service—in federal, state, and local governments as well as nongovernmental, not-for-profit organizations.

SUPPLEMENT PACKAGE

These ancillary materials are prepared by the authors and are available on the Instructor's Resource CD-ROM and/or the textbook's website, www.mhhe.com/business/accounting/wilson13e.

- Instructor's Guide and Solutions Manual (including teaching and case analysis tips).
- PowerPoint lecture presentations.
- Test Bank (including a computerized version using Diploma software).
- Instructor's Manual with utility CD for the City of Smithville.
- The City of Smithville Continuous Computerized Problem—a general ledger practice set—packaged free with each new copy of the textbook.

ACKNOWLEDGMENTS

We are thankful for the encouragement, suggestions, and counsel provided by many instructors, professionals, and students in writing this book. They include the following professionals and educators who read portions of this book and previous editions in various forms and provided valuable comments and suggestions:

Mr. Robert Bramlett
Federal Accounting Standards Advisory Board

Dr. Kenneth W. Brown
Southwest Missouri State University emeritus

Dr. Barbara Chaney
North Carolina State University

Dr. Mary L. Fischer
University of Texas at Tyler

Ms. Mary Foelster
American Institute of Certified Public Accountants

Dr. Vernon Kwiatowski
Central Michigan University

Mr. J. Thomas Luter
formerly, U.S. Department of the Treasury

Ms. Johanna Lyle
Kansas State University

Mr. Bruce K. Michelson
U.S. General Accounting Office

Mr. Roger P. Murphy
Iowa State University

Ms. Melanie Nelson
California State University—San Marcos

Dr. David O'Bryan
Pittsburgh State University

Dr. Suzanne M. Ogilby
California State University—Sacramento

Dr. James Patton
Federal Accounting Standards Advisory Board

Dr. Terry K. Patton
Governmental Accounting Standards Board

Ms. Janet Prowse
University of Nevada, Las Vegas

Dr. Jacqueline Reck
University of South Florida

Dr. Walter A. Robbins
University of Alabama

Mr. Lawrence Roman
Cuyahoga Community College—East Campus

Dr. Relmond P. Van Daniker
*National Association of State
Accountants, Controllers and
Treasurers*

Mr. Jay Wahlund
Minot State University

Mr. James F. White
Harvard Extension School

Dr. William T. Wrege
Ball State University

We acknowledge permission to quote pronouncements and reproduce illustrations from the publications of the Governmental Accounting Standards Board, American Institute of Certified Public Accountants, International City/County Management Association, and Crawford and Associates. Special thanks go to our spouses, Florence J. Wilson and John T. Kattelus, for their patience, understanding, and inspiration in completing this book, and we dedicate it to them.

Although we are extremely careful in checking the text and end-of-chapter material, it is possible that errors and ambiguities remain in this edition. As readers encounter such, we urge them to let us know so that corrections can be made. We also invite every user of this edition who has suggestions or comments about the material in the chapters to share them with one of the authors, either by regular mail or e-mail. The authors will continue the service of issuing Update Bulletins to adopters of this text that describe changes after the book is in print. These bulletins can be downloaded from the text website at www.mhhe.com/business/accounting/wilson13e or either of the author's websites:

*Dr. Earl R. Wilson
School of Accountancy
University of Missouri–Columbia
303 Cornell
Columbia, MO 65211
wilsonera@missouri.edu
<http://www.missouri.edu/~accterw>*

*Dr. Susan C. Kattelus
Department of Accounting and Finance
Eastern Michigan University
406 Owen
Ypsilanti, MI 48197
Susan.kattelus@emich.edu
http://www.online.emich.edu/~acc_kattelus*

December 2002