

# What's New in the Second Edition?

Building on the first edition's strength to motivate student interest in accounting, the second edition features:

- Each chapter clearly establishes learning objectives, highlights numerous real-world examples, and introduces new features such as Ethical Insights, Control Spotlight, and Financial Analysis Tools.
- Cartoons, crossword puzzles, and caricature-like illustrations have been replaced with new material that better explains challenging topics and provides abundant opportunity for practice.
- Over 150 new items have been introduced in the end-of-chapter practice material and the remaining practice material has been checked and refined to ensure compatibility with the second edition.
- This edition also retains the engaging explanations with the professional, yet conversational, writing style that was so popular among students using the first edition.

## 1 Business Decisions and Financial Accounting

- New entrepreneurial focus company—provides a realistic context that all students can relate to for introducing organizational forms, types of accounting, financial statement users, and ethics.
- New material introducing the Sarbanes-Oxley Act.
- New Ethical Insights relating to Arthur Andersen and Enron.
- Simplified statement of cash flow coverage.
- Simplified illustrations of financial statement articulation.
- No cartoons or superfluous illustrations.
- End of chapter: a new demonstration case, 12 new mini-exercises, exercises and problems, including three new

problems on interpreting F/S, and revisions to 30 other exercises, problems, and cases.

## 2 Reporting Investing and Financing Results on the Balance Sheet

- New three-step accounting cycle framework.
- New illustrations and streamlined discussions for transaction analysis.
- Simplified balance sheet presentation with the classified balance sheet moved to the end of the chapter and comparative balance sheets moved to Chapter 5.
- Revised Self-Study Quizzes.
- New Ethical Insights related to conservatism in accounting.
- End of chapter: five new mini-exercises, exercises, and problems, and revisions to 34 other mini-exercises, exercises, problems, and cases.

## 3 Reporting Operating Results on the Income Statement

- New three-step accounting cycle framework continued from Chapter 2 and replacing former DECIDES framework from previous edition of text.
- New Ethical Insights related to Computer Associates to the time period assumption; new real-world example of revenue recognition policies.
- Revised presentation linking revenues and expenses to changes in stockholders' equity.
- Revised matching principle discussion.
- Simplified income statement presentation illustrating only single-step income statements. (The multistep income statement is explained in Chapters 5 and 6.)

- End of chapter: 29 new questions, mini-exercises, exercises, and problems and revisions to 37 other mini-exercises, exercises, problems, and cases.

#### **4 Adjustments, Financial Statements, and the Quality of Financial Reporting**

- New three-step accounting cycle framework continued from Chapter 3.
- New Self-Study Quiz.
- New discussion of accrued payroll.
- Revised Self-Study Quizzes.
- End of chapter: 15 new questions, mini-exercises, exercises, and problems and revisions to 47 other mini-exercises, exercises, problems, and cases.

#### **5 Corporate Financial Reporting and Analysis**

- Reorganized chapter topics following the sequence in which Activision prepares and releases financial reports.
- New discussion of accounting fraud and Sarbanes-Oxley Act.
- New Ethical Insights related to Bausch & Lomb.
- Introduction of comparative balance sheets and multi-step income statements (introduced in Chapters 1 and 3 in prior edition).
- New discussion of statement of stockholders' equity.
- Two new Self-Study Quizzes.
- New contrast company in financial analyses.
- End of chapter: 16 new questions, mini-exercises, exercises, and problems and revisions to 25 other mini-exercises, exercises, problems, and cases; also moved problems that illustrate vertical analysis to Chapter 13 (replaced with interpretation problems).

#### **6 Internal Control and Financial Reporting for Cash and Merchandising Operations**

- Change of chapter title to Internal Control and Financial Reporting for Cash and Merchandising Operations.
- New discussion of principles and limitations of internal control, tied to Sarbanes-Oxley Act.

- New Ethical Insights related to cash receipts and inventory control weaknesses.
- Application of internal control discussion to a few select companies.
- Simplified discussion of contra-revenue accounts; moved credit card discounts to Chapter 8.
- End of chapter: 15 new questions, mini-exercises, exercises, and problems and revisions to 45 other mini-exercises, exercises, problems, and cases.

#### **7 Reporting and Interpreting Inventories and Cost of Goods Sold**

- Change in sequence to have the inventory chapter follow the merchandising chapter to improve coherence.
- No references to Oakley's manufacturing operations.
- New discussion of inventory on consignment and in transit.
- Addition of weighted-average cost to expand illustrations of costing methods.
- New Control Spotlight linking RFID technology to inventory costing.
- New illustration of the first-in, first-out cost flow assumption.
- Revised presentation of computations, showing direct calculation of both cost of goods sold and ending inventory with "force-out" as accuracy check.
- End of chapter: eight new questions, mini-exercises, exercises, and problems, including comprehensive financial statement preparation exercise, and revised 42 other mini-exercises, exercises, problems, and cases.

#### **8 Reporting and Interpreting Receivables, Bad Debt Expense, and Interest Revenue**

- Change of chapter sequence (This chapter was Chapter 7 in prior edition.)
- New explanation of challenges of matching bad debts to sales revenue.

- New illustration (Exhibit 8.2) to explain the allowance method.
- Simplified discussion of the allowance method (percentage of sales estimation moved to Chapter Supplement A).
- New Self-Study Quiz.
- New Ethical Insights related to MCI.
- New contrast company in financial analyses.
- End of chapter: 15 new questions, mini-exercises, exercises, and problems, including comprehensive financial statement preparation exercise, and revisions to 35 other mini-exercises, exercises, problems, and cases.

### **9 Reporting and Interpreting Long-Lived Tangible and Intangible Assets**

- New Chapter Supplement A on natural resource assets.
- New discussion of partial year depreciation in Chapter Supplement B.
- End of chapter: 7 new questions, mini-exercises, exercises, and problems revisions to 40 other mini-exercises, exercises, problems, and cases.

### **10 Reporting and Interpreting Liabilities**

- New Ethical Insight related to current ratio.
- New Self-Study Quiz.
- Revised note payable illustration that mirrors note receivable illustration in Ch 8.
- No discussion of capital leases.
- Streamlined explanation of bonds payable.
- End of chapter: new demonstration case, 3 new questions, mini-exercises, exercises, problems, and cases, and revisions to 44 other mini-exercises, exercises, problems, and cases.

### **11 Reporting and Interpreting Stockholders' Equity**

- New Focus Company (Sonic Corporation) and new contrast companies.
- New discussion of P/E ratio.
- New illustration of authorized, issued, and outstanding stock.

- New illustration of differences between stock splits, stock dividends, and cash dividends.
- Simplified discussions of stock dividends and stock options.
- End of chapter: 7 new questions, mini-exercises, exercises, problems, and cases, and revisions to 47 other mini-exercises, exercises, problems, and cases.

### **12 Reporting and Interpreting the Statement of Cash Flows**

- New introduction explaining the purpose of the statement of cash flows.
- New Ethical Insights relating to W. T. Grant Co.
- New illustration for classifying cash flows by type of business activity.
- New contrast company in financial analyses.
- Simplified explanation of the indirect method.
- End of chapter: 10 new questions, mini-exercises, exercises, problems, and cases, and revisions to 41 other mini-exercises, exercises, problems, and cases.

### **13 Measuring and Evaluating Financial Performance**

- New explanation of vertical analysis.
- New Self-Study Quiz.
- Simplified review of the conceptual framework.
- New contrast company in financial analyses.
- End of chapter: more-comprehensive demonstration case, 17 new questions, mini-exercises, exercises, problems, and cases, and revisions to 33 other mini-exercises, exercises, problems, and cases.