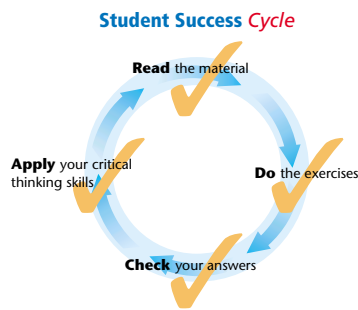


To the Instructors—Facilitators of Student Success

As instructors, you and I know that the responsibility for student success lies ultimately with the student. Our role is to create an environment that fosters learning; we can present and demonstrate concepts in a variety of ways and then help students apply those concepts to new situations; we can be there (face-to-face or online) to respond to their questions with questions that help them find the answer; and we can direct students to a variety of tools to enhance their success. To help with our role, we need quality tools to facilitate student success both in and out of the classroom. *Fundamental Accounting Principles* is still the core tool to achieve that end, and the Twelfth Canadian Edition—in response to instructor requests—has made three major changes that explicitly focus on students and their success.



First, the **Student Success Cycle—Read–Do–Check–Apply**—has been incorporated throughout the textbook. It is denoted by the symbol shown at left, and reminds students that to achieve success, they must **read** the textbook, **do** the exercises and problems to practise concepts, **check** their work (taking appropriate remedial action), and **apply** knowledge to demonstrate learning in contrast to memorization.

Second, the **Student Success Cycle** is linked to the new online **Student Success Centre** at www.mcgrawhill.ca/studentsuccess/FAP, where a detailed learning guide is provided to help students master introductory accounting concepts. Student success at the post-secondary level is not measured by how much knowledge a student has acquired but rather by how well a student can **use** or **apply** knowledge . . . a concept also known as critical thinking! If students compartmentalize knowledge, they are challenged when they have to engage in the activities of application, analysis, synthesis, or evaluation—the higher-level competencies. We can help students develop higher-level skills by introducing them to a model for critical thinking. Instructors typically give students formulas to perform calculations such as amortization and interest; why not provide them with a formula for thinking as well?!

And that leads to the third innovation: on the inside cover of this textbook is an outline of a basic model for teaching/learning critical thinking skills. To foster the development of critical thinking proficiency, analysis-type questions have been added to many exercises and problems in the Twelfth Canadian Edition. In addition, a new problem series—Critical Thinking Mini Cases—has been introduced.

Education is a continuous journey and by giving students a model and tools for both successful learning and critical thinking, the Twelfth Canadian Edition of *Fundamental Accounting Principles* is, once again, the standard-setter in the study of accounting. However, it is only because of the contributions of dedicated accounting instructors across Canada that this textbook is able to continually improve. I am truly privileged to have had the opportunity to work with so many of you in this regard; you have my sincerest appreciation. I would also like to thank and acknowledge Phil Paradis of NAIT, who planted the seed for a student success and critical thinking focus.

Take care,

Tilly Jensen

To the Students—A Guide For Your Success

Your primary goal in this course should be to learn the basics about financial accounting in order to understand and use financial statements and related information effectively in decision making. These skills are essential, whether you are going to be a business owner, a marketing specialist, or a financial planner, or occupy some other business role.

Student success means different things to many different people. For the purpose of this accounting course, we will define a successful student as having two qualities:

1. Active in the learning process, and
2. Able to apply critical thinking skills.

To learn anything, you must acquire knowledge. For example, I can learn about playing golf by reading a book. But once I finish the book, will I be able to play golf? It is very unlikely. I will need to practise. After a couple of hours spent swinging a golf club at a driving range and realizing that my progress is limited, I might do some more reading, get some instruction, watch a video, and keep on practising. I will continue to apply my growing knowledge of golf, and over time I will begin to improve.

To learn accounting, you would follow the same process. Begin by reading this textbook. Will you understand accounting after simply reading? It is very unlikely. You will need to practise the concepts by doing the exercises and problems. Then, check your work. Are you on track? If not, do some more reading, get some instruction, use another tool to help you learn the material, but above all, be sure you master the material and apply your knowledge before continuing to new concepts.

The process just described—**read** the material, **do** the exercises, **check** your answers, and **apply** your critical thinking skills—can be summarized as: **Read–Do–Check–Apply**, or the **Student Success Cycle**. You will see this symbol—the circular icon shown at right—throughout the textbook; it is a reminder to check your progress and to go to the online **Student Success Centre** at www.mcgrawhill.ca/studentsuccess/FAP for additional study tools.

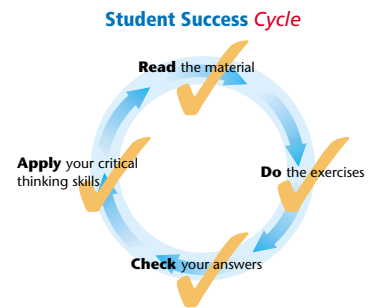
Once you have acquired knowledge in a specific area and mastered it through practice, you are ready for the next step of the learning process: critical thinking. Critical thinking involves the higher-level competencies of application, analysis, synthesis, and evaluation. To make business decisions, you need to **use** the knowledge acquired in many subject areas (including accounting, economics, statistics, and so on): critical thinking is the application of knowledge across topics and across disciplines. The inside front cover provides a model to help you improve your critical thinking skill development so that once you **acquire** knowledge, you are able to **apply** it using analysis, synthesis, and/or evaluation.

This textbook was designed to help you learn efficiently and effectively. If you follow the **Student Success Cycle** and use it in conjunction with other tools available on the online **Student Success Centre**, you will be successful in learning accounting.

Good luck with your studies,



Tilly Jensen

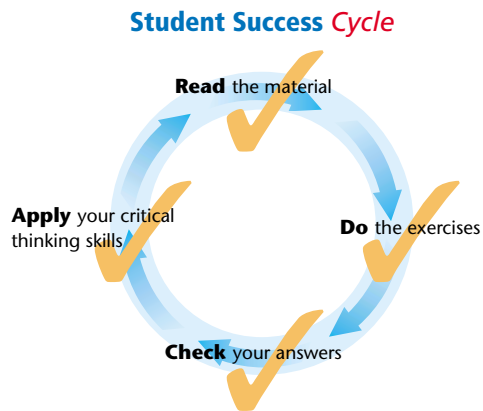


Inside the Chapters

As educators, instructors strive to create an environment that fosters learning and to provide students with the tools they need to succeed. The Eleventh Canadian Edition upheld the high standards the market expects from *Fundamental Accounting Principles*. With this Twelfth Canadian Edition we have introduced innovative student-centred pedagogy and incorporated a higher-level competency—critical thinking skills—throughout the text.

All the pedagogical tools are carefully designed for ease of use and understanding, helping the instructor teach and giving the students what they need to succeed.

New Student-Centred Pedagogy



Student Success Cycle

Student success at the post-secondary level is not measured by how much knowledge a student has acquired, but rather by how well a student can use knowledge. The Student Success Cycle, illustrated by a circular icon (shown at left), reinforces decision-making skills by highlighting key steps toward understanding and critically evaluating the information the student has just read. **Read, Do, Check, Apply**—this reinforces active learning (as opposed to passive learning). Displayed on each chapter-opening page (as well as with Checkpoint questions, Demonstration Problems, and end-of-chapter material), the Student Success Cycle is also linked to the Student Success Centre (www.mcgrawhill.ca/studentsuccess/FAP) (See page xxiv for more information).

CHAPTER 2

Financial Statements and Accounting Transactions

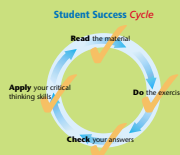


Fiction Drives the Bottom Line!

In the electronic entertainment world, BioWare has attracted a lot of attention. BioWare Corp. is a Canadian company well-known throughout the world for its development of market-leading role-playing games like *Baldur's Gate*, *Neverwinter Nights*, *Star Wars: Knights of the Old Republic*, and *Jade Empire*.

BioWare has also attracted a lot of attention in the business world by recording outstanding revenue growth in an industry plagued by unique challenges and fierce competition—with an increase in revenue of more than 988% since 1997. That information comes from financial statements that report on the realities of BioWare's operations.

Joint CEOs Greg Zeschuk and Ray Muzyka learned in BioWare's early years how important it was to understand financial statements: banks and financial institutions require strong balance sheets to justify providing capital for growth; income statements provide a mechanism for tracking performance over time; and financial projections of both income statements and balance sheets provide a blueprint for future planning. Greg and Ray also use financial statements as a factor in assessing potential business partners for development and publishing opportunities. Obtaining additional business training enhanced Ray and Greg's appreciation for the subtleties of accounting and financial projections critical to BioWare's success.



CRITICAL THINKING CHALLENGE

If BioWare were obtaining a bank loan, what kind of financial information might the bank be interested in? If BioWare were successful in obtaining a loan from the bank, should this transaction be shown on BioWare's financial statements or as part of the owners' personal financial statements?

Critical Thinking Challenge

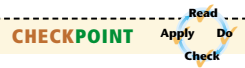
An essential element of critical thinking is the ability to ask questions while reading (or listening or speaking). These exercises are designed to help students develop the skills related to questioning. Suggested answers are posted on the online Student Success Centre.

Checkpoint

Previously called Flashback, this series of questions within the chapter reinforces the immediately preceding material. These questions allow the student to “Do” problem material referencing what they have just learned, and answers at the end of each chapter will then allow them to “Check” their work. Additional Quick Study questions (available at the end of each chapter) are identified for the student to “Do,” with answers available online to “Check.”

1. What are the four major financial statements?
2. Describe revenues and expenses.
3. Explain assets, liabilities and equity.
4. What are three differences in financial statements for different forms of organization?

Do: QS 2-1



Analysis Component

An analysis component has been added to each mid- and end-of-chapter demonstration problem, taking students beyond the numbers and promoting critical thinking. Several exercises, problems, and Focus on Financial Statements questions also include an analysis component to provide opportunities for students to practise these skills.

Retained Student-Centred Pedagogy

Real-World Focus

Like previous editions, the Twelfth Canadian Edition includes strong ties to the real world of accounting, be it through detailed interviews with businesspeople for the chapter-opening vignettes, examples of ethical standards and treatments, or annual reports for end-of-chapter material. This integration with real-world companies helps engage students while they read.

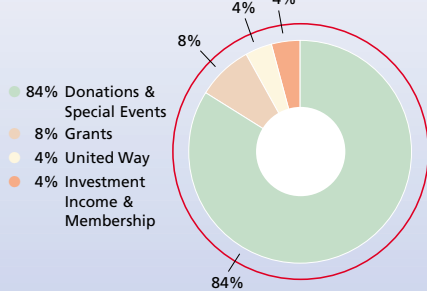
Learning Objectives

Learning Objectives have long been a standard in the Larson textbook. By giving students a head start on what the following material encompasses, the text readies them for the work ahead. These Learning Objectives are fully integrated into the online Student Success Centre, allowing the students to actively focus on one objective at a time.

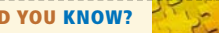
Accounting Information at Work

The Multiple Sclerosis (MS) Society of Canada provides assistance and support to individuals with MS, in addition to funding research aimed at finding a cure. Accounting makes it possible for not-for-profit organizations like the MS Society of Canada to present to external users information like the following:

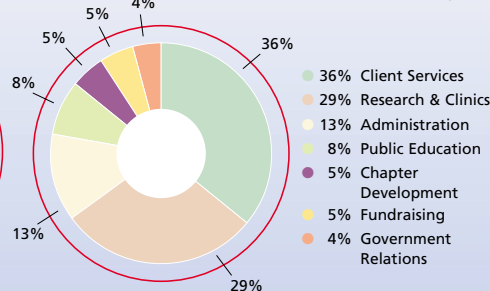
How funds are raised



DID YOU KNOW?



How funds are spent




SOURCE: www.mssociety.ca. Information accessed June 1, 2006.

Did You Know?

Social responsibility continues to be important for students to learn early in their accounting courses. Through the Did You Know? feature, accounting's role in ethics and social responsibility is described by both reporting and assessing its impact. Relating theory to a real-life situation piques interest and reinforces active learning.


Judgement Call

This feature requires students to make accounting and business decisions by using role-playing to show the interaction of judgement, awareness, and the impact of decisions made. Guidance answers are available at the end of each chapter.

<p>JUDGEMENT CALL </p> <p>Answer—p. 17</p>	<p>Entrepreneur</p> <p>You and a friend have developed a new design for mountain bikes that improves speed and performance by a remarkable 25% to 40%. You are planning to form a small business to manufacture and market these bikes. You and your friend are concerned about potential lawsuits from individuals who may become injured because of using the speed feature of the bikes with reckless abandon. What form of organization do you set up?</p>
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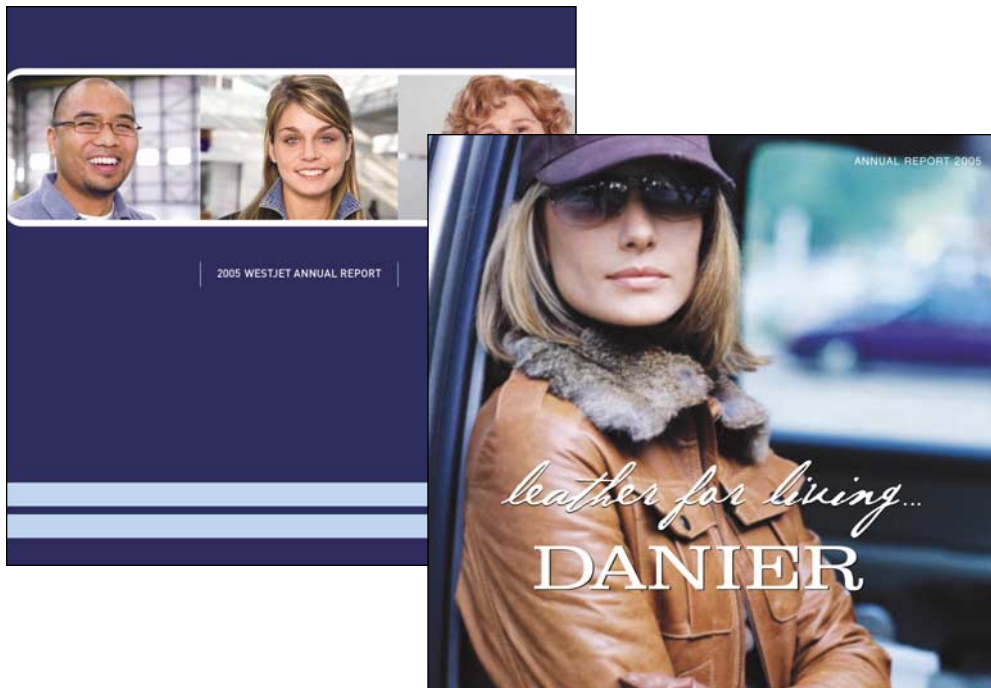
Extend Your Knowledge

Supplementary material has been developed to explore some topics in more detail than the textbook can allow. When available, the Student Success Centre icon is displayed in the margin, alerting students to visit www.mcgrawhill.ca/studentsuccess/FAP if they choose to delve deeper into the material.

<p>Extend Your Knowledge</p> <p></p> <p>2-4</p>	<p>Cost Principle</p> <p>All transactions are recorded based on the actual cash amount received or paid. In the absence of cash, the cash equivalent amount of the exchange is recorded.⁵</p> <p><i>Example:</i> If Finlay Interiors purchased used furniture for \$5,000 cash, it is recorded in the accounting records at \$5,000. It makes no difference if Carol Finlay thinks that the value of the furniture is \$7,000.</p>
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Annual Reports

Features and assignments that highlight companies such as Westjet (a company that provides services) and Danier (a merchandiser) show accounting in a modern and global context. By having students go directly to the financial statements of real companies, they remain engaged in the active learning process. Portions of these annual reports are reproduced at the end of both Volumes 1 and 2.



End-of-Chapter Material

Fundamental Accounting Principles sets the standard for quantity and quality of end-of-chapter material.

Summary

LO¹ Identify and explain the content and reporting aims of financial statements. The major financial statements are: income statement (shows a company's profitability determined as revenues less expenses equals net income or loss), statement of owner's equity (explains how owner's equity changes from the beginning to the end of a period), balance sheet (reports on a company's financial position, including assets, liabilities, and owner's equity), and cash flow statement (identifying all cash inflows and outflows for the period). The differences in financial statements across forms of business organization are: 1. The name of the equity section of the balance sheet: owner's equity for a sole proprietorship, partners' equity for a partnership, and shareholders' equity for a corporation; 2. Distributions of assets to the owner(s) are called

continues to operate. The monetary unit principle assumes that transactions can be captured in money terms and that the monetary unit is stable over time. The revenue recognition principle means that revenue is recognized when earned, assets received from selling products and services do not have to be in cash, and revenue recognized is measured by cash received plus the cash equivalent (market) value of other assets received.

LO³ Explain and interpret the accounting equation. Investing activities are funded by an organization's financing activities. An organization's assets (investments) must equal its financing (from liabilities and from equity). This basic relation gives us the accounting equation: $Assets = Liabilities + Owner's Equity$.

Summary

Each chapter includes a summary of the chapter by Learning Objective, to reinforce what students have just learned.

Guidance Answers to Judgement Call

These discuss the Judgement Call boxes presented earlier in the chapter, and reinforce the need for decision making and critical thinking skills. This feature fits into the Student Success Cycle by reinforcing the "Apply" step.

guidance answer to JUDGEMENT CALL

Supplier

We can use the balance sheet, or accounting equation, to help us identify risky customers to whom we would not want to extend credit. The accounting equation can be written as: $Assets - Liabilities = Owner's Equity$. A balance sheet provides us with amounts for each of these

key components. The lower the owner's equity, the less likely you should be to extend credit. A low owner's equity means that there is little value in the business on which other creditors do not already have claims. Note that any decision to grant credit would normally include an examination of the complete financial statements.

guidance answers to CHECKPOINT

- The four major financial statements are: income statement, statement of owner's equity, balance sheet, and cash flow statement.
- Revenues are the value of assets received in exchange for products or services provided to customers as part of a business's main operations. Expenses are costs incurred or the using up of assets that result from providing products or services to customers. Expenses also can arise from increases in liabilities.

case, the business has received the cash from the customer without providing the product. Therefore, the business has not realized a revenue but instead has incurred a liability; it owes the customer the product.

- A transaction that involves changing the form of one asset for another asset would *not* affect any liability and equity accounts. (2) offers an example.

Guidance Answers to Checkpoint

The Checkpoint material throughout the chapter allows students to pause and check their progress. This feature reinforces the "Do," "Check," and "Apply" steps of the Student Success Cycle.

Glossary

Accounting equation A description of the relationship between a company's assets, liabilities, and equity; expressed as $Assets = Liabilities + Owner's Equity$; also called the *balance sheet equation*. (p. 33)
Account payable A liability created by buying goods or services on credit. (p. 29)
Account receivable An asset created by selling products or services on credit. (p. 29)
Assets Properties or economic resources owned by the business; more precisely, resources with an ability to provide future benefits to the business. (p. 29)

Economic consideration Something of value (e.g., products, services, money, and rights to collect money). (p. 34)
Equity The owner's claim on the assets of a business; more precisely, the assets of an entity that remain after deducting its liabilities; also called *net assets*. (p. 30)
Expenses Costs incurred or the using up of assets as a result of the major or central operations of a business. (p. 27)
Event See *business events*. (p. 34)
Financial statements The most important products of accounting; include the income statement, statement of owner's equity, balance sheet, and cash flow statement.

Glossary

All terms highlighted in the chapter and their page references are included.

Problem Material

Demonstration Problems

These problems reinforce the chapter material and further bolster the Student Success Cycle.

Questions

These short-answer questions reinforce the chapter content by Learning Objective.

Quick Study

These single-topic exercises give the students a quick test of each key element in the chapter and are referenced to Learning Objectives. Answers to these items are available on the online Student Success Centre.

Exercises

Exercises provide students with an additional opportunity to reinforce basic chapter concepts by Learning Objective.

Problems

Problems typically incorporate two or more concepts. As well, there are two groups of problems: A problems and Alternate or B problems. B problems mirror the A problems to help improve understanding through repetition.



demonstration problem

Rupert Jones works in a public accounting firm. The management of ShadowTech Company invites Jones to prepare a 'bid' to review ShadowTech's financial statements. In discussing the review's fee, ShadowTech's management suggests a fee range where the fee amount depends on the reported profit of ShadowTech. The higher its profit, the higher the review fee paid to Jones's firm.

Required

1. Identify the parties potentially affected by this situation.
2. What are the ethical factors in this situation?
3. Would you recommend that Jones accept this review fee arrangement? Why?
4. Describe some of the factors guiding your recommendation.

Questions

1. What tasks are performed with the work sheet?
2. Why are the debit and credit entries in the Adjustments columns of the work sheet identified with letters?
3. What two purposes are accomplished by recording closing entries?
10. What is a company's operating cycle?
11. How is an unearned revenue classified on the balance sheet?
12. What classes of assets and liabilities are shown on a typical classified balance sheet?

Quick Study

In preparing a work sheet, indicate the financial statement debit column to which a normal balance of each of the following accounts should be extended. Use *IS* for the Income Statement Debit column and *BS* for the Balance Sheet or Statement of Owner's Equity Debit column.

1. Equipment
2. Owner, withdrawals
3. Insurance expense
4. Prepaid insurance
5. Accounts receivable
6. Amortization expense, equipment

QS 5-1

Applying a work sheet
LO¹

Exercises

These accounts are from the Adjusted Trial Balance columns in a company's 10-column work sheet. In the blank space beside each account, write the letter of the appropriate financial statement column to which a normal account balance should be extended.

- a. Debit column for the income statement.
- b. Credit column for the income statement.
- c. Debit column for the balance sheet and statement of owner's equity.
- d. Credit column for the balance sheet and statement of owner's equity.

- | | |
|--|--------------------------------------|
| _____ 1. Roberta Jefferson, withdrawals | _____ 9. Cash |
| _____ 2. Interest earned | _____ 10. Office supplies |
| _____ 3. Accumulated amortization, machinery | _____ 11. Roberta Jefferson, capital |

Exercise 5-1

Extending adjusted account balances on a work sheet
LO¹

Problems

The Stilton Company has the following inventory and credit purchases during the fiscal year ended December 31, 2011.

Beginning	500 units	@	\$90/unit
Feb. 10	250 units	@	\$84/unit
Aug. 21	130 units	@	\$100/unit

Problem 7-1A

Alternative cost flows—perpetual
LO²



Ethics Challenge

You are a cashier at a retail convenience store. When you were hired, the owner explained to you the policy of immediately ringing up each sale. Recently, lunch hour traffic has increased dramatically and the manager asks you to take customers' cash and make change without ringing up sales to avoid delays. The manager says she will add up cash and ring up sales equal to the cash amount after lunch. She says that in this way the register will always be accurate when the owner arrives at 3:00 p.m.

EC 3-1

Required

1. Identify the advantages and disadvantages of the manager's suggestion.
2. Identify the ethical dilemma and evaluate at least two courses of action you might consider and why.

Focus on Financial Statements

Travis McAllister operates a surveying company. For the first few months of the company's life (through April), the accounting records were maintained by an outside bookkeeping service. According to those records, McAllister's owner's equity balance was \$75,000 as of April 30. To save on expenses, McAllister decided to keep the records himself. He managed to record May's transactions properly, but was a bit rusty when the time came to prepare the financial statements. His first versions of the balance sheet and income statement follow. McAllister is bothered that the company apparently operated at a loss during the month, even though he was very busy.

FFS 3-1

Critical Thinking Mini Case

You have worked with XYZ Contractors as the marketing manager for a number of years. Each of your salespeople must submit a monthly report detailing money they spent while conducting business on behalf of XYZ Contractors. Each item on the monthly report must be coded as to the effect on assets, liabilities, and equity. As marketing manager, one of your duties is to review the monthly reports. One salesperson's report for September shows the following:

Date	Description of Transaction	Amount of Transaction	Effect on Assets	Effect on Liabilities	Effect on Equity
Aug. 28	Sold 80 units of product to a customer for cash	\$150,000	Increased Cash	No effect	Increased Revenues
Sept. 10	Purchased new desk for office to be paid in October	\$1,500	No effect	Increased Accounts Payable	Increased Office Expense
Sept. 2–30	Took clients for lunch and paid cash	\$680	Decreased Cash		Increased Owner Investments
Oct. 5	Paid for September cell phone usage	\$130	Decreased Cash		Increased Expenses

Required

Using the elements of critical thinking described on the inside front cover, respond.

Ethics Challenge

Each chapter includes at least one Ethics Challenge to reinforce critical thinking skills for the students and open up discussion about various ethical topics.

Focus on Financial Statements

Each chapter includes a technical and analytical question that incorporates into the financial statements all major topics covered up to that point. New to the Twelfth Canadian Edition are additional Focus on Financial Statements questions, available online at the Student Success Centre.

Critical Thinking Mini Cases

New to the Twelfth Canadian Edition, the Mini Cases give students the opportunity to apply critical thinking skills to concepts learned in the chapter, thus further reinforcing the "Apply" step of the Student Success Cycle.

The Accounting Standard

We listened! In addition to obtaining individual reviewer comments, we held focus groups in cities throughout Canada to hear the issues and concerns instructors like you have about the materials you use to teach introductory financial accounting. We were the first textbook to go to these lengths for market research, and we do more every year. We think you'll like what you see.

Throughout the Text

Preface

- Added the Critical Thinking Model and the Student Success Cycle to the Preface

Chapter

- Edited and updated the chapters in general
- Added Critical Thinking Challenge questions, a new feature following the opening vignette, to help students learn to ask/answer questions while reading, speaking, or listening
- Renamed the Flashback feature as Checkpoint to correspond to the Student Success Cycle emphasis and critical thinking initiative
- Added an Analysis Component to the Demonstration Problem and Mid-Chapter Demonstration Problem

End-of-Chapter

- Linked the Quick Study questions to the Checkpoints within the body of the chapter, and provided solutions online to encourage students to “Do” and “Check” while they “Read”
- Added a new Critical Thinking Mini Case to each chapter
- Deleted the Leon’s annual report from the end of the textbook and replaced it with that of Danier Leather, a different merchandiser
- Added an index of the Extend Your Knowledge items to the back of the textbook

Chapter 1

- Changed the opening vignette
- Removed the former Learning Objective 5, “Describe how technology is changing accounting,” per reviewer feedback
- Moved Appendix 1A, “Codes of Ethics and Professional Conduct,” to the online Student Success Cycle as Extend Your Knowledge 1-3
- Converted the former Exhibit 1.4 (pictures) to a table
- Added a paragraph and Extend Your Knowledge 1-2 on corporate governance
- Adjusted the glossary
- Added new Quick Study questions/Exercises

Chapter 2

- Moved Appendix 2A, “Developing Accounting Standards,” to the online Student Success Cycle as Extend Your Knowledge 2-3
- Added Extend Your Knowledge 2-4 on GAAP
- Adjusted the glossary
- Added new Quick Study questions/Exercises
- Added Analysis Components throughout Exercises/Problems

Chapter 3

- Added a new Extend Your Knowledge item regarding how banks account for cash
- Added new Quick Study questions/Exercises
- Added Analysis Components to several Exercises/Problems

Chapter 4

- Changed the opening vignette
- Added two new Extend Your Knowledge items
- Broke up the material on Learning Objective 4 per reviewer request—inserted Checkpoints to give the students a “pause” between types of adjustments
- Added new Quick Study questions/Exercises

Chapter 5

- Added Extend Your Knowledge 5-5, regarding Current vs. Long-Term Liabilities
- Added new Quick Study questions/Exercises
- Added Analysis Components to several Exercises/Problems

Chapter 6

- Combined Learning Objectives 1, 2, and 3 into Learning Objective 1; combined former Learning Objectives 6 and 7 into Learning Objective 3
- Added new Quick Study questions/Exercises
- Added Analysis Components to several Exercises/Problems
- Added new Extend Your Knowledge 6-1 and Analytical and Review Problems 6-2 and 6-3—Comprehensive to the online Student Success Cycle

Chapter 7

- Combined former Learning Objectives 1 and 2 into Learning Objective 1
- Adjusted Exhibits 7.13 and 7.14 to reflect a perpetual inventory system
- Added Learning Objective 8 regarding inventory errors for a periodic inventory system
- Added new Quick Study questions/Exercises
- Deleted the former Extend Your Knowledge 7.1 and 7.2 as dated material

Chapter 8

- Changed the opening vignette
- Combined Learning Objectives 1, 2, and 3 into Learning Objective 1
- Added new Quick Study questions
- Rearranged many of the end-of-chapter Exercises and Problems so that the periodic inventory questions follow the perpetual inventory questions they refer to on same page
- Added a new Extend Your Knowledge item regarding special journals for a periodic inventory system

Chapter 9

- Added new Quick Study questions/Exercises
- Moved Focus on Financial Statements 9-2 from online to the textbook
- Added Analysis Components throughout Exercises/Problems
- Made some interesting changes to some Problems based on reviewer suggestions
- Improved Exhibits 9.5 to 9.9
- Added some footnotes based on reviewer requests

Chapter 10

- Added new Quick Study questions/Exercises
- Moved Focus on Financial Statements 10-2 from online to the textbook
- Added Analysis Components throughout Exercises/Problems
- Combined former Learning Objectives 5 and 6 into Learning Objective 5

Chapter 11

- Performed some editing and updating
- Added new Critical Thinking Mini-Case
- Moved former Exhibits 11.1 and 11.2 to EYK



Technology Solutions to Help You Succeed

Fundamental Accounting Principles offers a wealth of resources unmatched in educational publishing

Student Success Centre www.mcgrawhill.ca/studentsuccess/FAP

Reinforcing its commitment to student success, the Larson/Jensen Online Learning Centre has been completely redesigned and redeveloped with the student in mind.

Complementing the pedagogy of the text, the Student Success Cycle is now fully integrated into this online resource. Students can review each learning objective and following the steps of the Student Success Cycle, work through self-study quizzes and critical thinking exercises for each learning outcome. Or, they can start at the chapter level and if challenged by a particular concept while completing the quizzes, focus into this specific learning objective using the Student Success Cycle as a guide.

The Centre continues to offer self-study quizzes, a searchable glossary, crossword puzzles to practice key terms for each chapter, Excel Templates for select problems in the text, and additional resources including “Extend Your Knowledge” modules and video segments.

The screenshot shows the Student Success Centre interface for Chapter 3. The left sidebar contains a navigation menu with categories like 'Course-wide Content', 'Quizzes', 'Move Resources', and 'iStudy'. The main content area is titled 'Student Success Centre' and includes a globe icon. Below the icon, there is a 'Welcome' message and a 'Use the links below to access the Student Success Cycle for each learning objective:' section. This section lists five objectives: 1) Explain the accounting cycle, 2) Describe an account, its use, and its relationship to the ledger, 3) Define debits and credits and explain their role in double-entry accounting, 4) Describe a chart of accounts and its relationship to the ledger, and 5) Analyze the impact of transactions on... A 'Critical Thinking Challenge' section follows, asking 'How is the income statement linked to the balance sheet?' and providing a link to 'See our suggested answer.'

Studying on the Go

Students can study on the go with McGraw-Hill’s course content for the Apple iPod.

Our innovative approach allows students to download audio and video presentations directly into their iPod and take learning materials with them wherever they go. Whether it’s in the car, on the train, or waiting between classes—it’s easy to get a quick refresher on key course content and makes review and study time as easy as putting in headphones!

Visit the Student Success Centre to download these resources.



Online Assessment

Lyryx Interactive Financial Accounting (LIFA) is a Web-based assessment tool that has captured the attention of post-secondary schools across the country. By reflecting the classroom environment, LIFA significantly benefits both instructors and students.

Each chapter is broken down into several **Lessons**; condensed versions of the material in the text.

Each Lesson is supported by a self-correcting **Exploration** that allows the students to practise the Lesson's concept. Because these Explorations are algorithmically generated, the students can try them as often as they want and get a different question each time.

Once the students master the Exploration, the instructor can set up a homework assignment, or **Lab**. These Labs are algorithmically generated and automatically graded, so students get instant feedback. Grades are instantly recorded into a Gradebook that the students and the instructor can view. Less of the instructor's time is spent on marking, *and* students get built-in feedback!

LIFA motivates students in two ways: (1) it is tied to assessment, and (2) Labs can be tried as many times as the students wish, with only the best grade being recorded. Instructors know that if students are doing their accounting homework, they will enjoy success. Recent research has shown that when Labs are tied to assessment, even if they are worth only a small percentage of the total grade for the course, students WILL do their homework—*and more than once!*



LYRYX LEARNING INC
Online Learning and Assessment
lyryx.com

The screenshot displays the Lyryx Interactive Accounting software interface. It includes a navigation menu on the left, a lesson page titled "3.4 Recording and Posting Transactions" with a "Recording Transactions in a Journal" section, a "3.4 Journalizing Transactions" lab page with instructions, and a spreadsheet for journalizing transactions. The spreadsheet is divided into a General Journal and three T-accounts: Cash, Accounts Payable, and Stan Frey, Capital.

General Journal Page G3

Date	Account/Explanation	PR	Debit	Credit
3/Feb	Cash		25,000	
	Supplies		10,000	
	Capital			35,000
7/Feb	Supplies	a	100	
	Accounts Payable			100
11/Feb	Cash	b	600	
	Supplies			600
12/Feb	Supplies	c	600	
	Cash			600

Cash Account No. 101

Date	Desc	PR	Debit	Credit	Balance

Accounts Payable Account No. 201

Date	Desc	PR	Debit	Credit	Balance

Stan Frey, Capital Account No. 301

Date	Desc	PR	Debit	Credit	Balance

Supplements for the Students

iStudy



Available 24/7: providing instant feedback when you want, how you want, and where you want. This online iStudy space was developed to help you master concepts and achieve better grades with all the learning tools you've come to expect, including chapter summaries, quiz questions and additional problems. iStudy also offers new "Show Me, Guide Me" tutorial problems, numerous animations, and even an interactive, fun game called *TetrAccounting*. iStudy offers the best, most convenient way to interact, learn, and succeed.

iStudy can be purchased through the online Student Success Centre or by purchasing a PIN code card through the campus bookstore. Instructors: Please contact your iLearning Sales Specialist for more information on how to make iStudy part of your student's success.

Working Papers

Available for purchase by students, Working Papers for Volumes 1 and 2 match the end-of-chapter assignment material. They include papers that can be used to solve all of the Quick Study questions, Exercises, and Problems. Each chapter also contains papers for both the A and B problem sets.

Excel Templates



Selected end-of-chapter exercises and problems, marked in the text with an icon, can be solved using these Excel templates, located on the Student Success Centre.

Excel Exercise 2-12

Given Data:

a.	Cash invested by owner	\$ 2,500
b.	Office supplies purchased on credit	\$ 200
c.	Cash received for work done for a client	\$ 600
d.	Government grant applied for	\$ 10,000
e.	Salary paid to assistant	\$ 1,500
f.	Work completed for a customer on credit	\$ 1,250

Answer:

	Assets			=	Liabilities		
	Cash	+	Accounts Receivable	+	Office Supplies	=	Accounts Payable
a.	\$ -0-		\$ -0-		\$ -0-		\$ -0-
b.	-0-		-0-		-0-		-0-
Bal.							
c.	-0-		-0-		-0-		-0-
Bal.							
d.	-0-		-0-		-0-		-0-
Bal.							
e.	-0-		-0-		-0-		-0-
Bal.							
f.	-0-		-0-		-0-		-0-
Bal.							
	+ _____ + _____			=	_____		
	_____				_____		

Supplements for the Instructor

Instructor's CD-ROM (ICD)

This CD-ROM contains materials for managing an active learning environment—all in one place!

Solutions Manual

Fundamental Accounting Principles continues to set the standard for accuracy of its problem material. The Solutions Manual has been technically checked for accuracy by six different instructors during its development. The Solutions Manual, available in both Microsoft Word and PDF format on the ICD, includes solutions for all end-of-chapter material.

Instructor's Manual

The Instructor's Manual cross-references assignment materials by Learning Objective and also provides a convenient chapter outline.

Computerized Test Bank

The test bank has been extensively revised and technically checked for accuracy both to reflect the changes in the Twelfth Canadian Edition and to improve the quality. Grouped according to Learning Objective and difficulty level, the questions in the computerized test bank include true/false, multiple choice, matching, short essay, and problem material. (Note: the Test Bank is available in Rich Text Format on the ICD for ease of printing.)

PowerPoint® Presentations

These presentation slides have been extensively redesigned for this edition and are fully integrated with the text in effort to better illustrate chapter concepts.

Image Bank

All exhibits and tables displayed in the text are available for your use, whether for creating transparencies or handouts, or customizing your own PowerPoint presentations.

Excel Template Solutions

Solutions to the problems using Excel templates are available.



Online Learning Centre—Instructor's Area

Instructor Centre

Instructors can access downloadable supplements including the Instructor's Manual, Solutions Manual, Microsoft® Powerpoint slides, Image Bank, and Microsoft® Excel® template solutions.



Support for the Instructor

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Developing a Market-Driven Text

The success of this text is the result of an exhaustive process, which has gone beyond the scope of a single edition. Hundreds of instructors and educators across the country have been involved in giving their feedback to help develop the most successful accounting fundamentals text in the country. We owe thanks to all of those who took the time to evaluate this textbook and its supplemental products.

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