

Summary of Contents

Chapter One. Introduction to Accounting	1
A. In General.....	2
B. Basic Accounting Principles.....	3
C. Other Principles Governing Financial Reports	9
D. Definitions of Accounting Terms.....	12
Chapter Two. Collecting and Measuring Accounting Information	17
A. Introduction	18
B. Transaction Occurs	18
C. Accountant Makes the Journal Entry.....	18
D. Posting to Ledger Accounts	20
E. Summarizing the Transactions and Preparing to Issue Financial Statements.....	26
F. Preparing the Financial Statements.....	27
G. Closing Entries.....	27
H. Supplemental Activities.....	28
Chapter Three. Illustration of the Accounting Process.....	29
A. Introduction	31
B. Issuing Stock	31
C. Purchasing Fixed Assets.....	32
D. Purchasing Inventory	33
E. Selling Inventory.....	34
F. Paying Liabilities	36
G. Paying Dividends	39
H. Prepaying Expenses.....	40
I. Additional Inventory Purchase and Sale	41
J. Posting to Ledger Accounts	43
K. Preparing the Trial Balance	43
L. Adjusting Journal Entries.....	44
M. Preparing the Adjusted Trial Balance	47
N. Preparing the Income Statement.....	48
O. Preparing the Statement of Retained Earnings	48
P. Preparing the Balance Sheet.....	49
Q. Preparing the Statement of Cash Flows	50
R. Closing Journal Entries.....	51
Chapter Four. Adjusting and Closing Journal Entries.....	53
A. Introduction	54
B. Types of Adjusting Journal Entries	54
C. Hypothetical Problem.....	57
D. Adjusted Trial Balance	59
Chapter Five. The Balance Sheet.....	63
A. Introduction	64
B. Balance Sheet Accounts.....	64
C. Sample Balance Sheet.....	115
Chapter Six. The Income Statement	117
A. Introduction	118

B. Definitions	118
C. Income Statement Accounts.....	118
D. Recognition of Income.....	119
E. Comprehensive Income	125
F. Earnings Per Share.....	125
G. Sample Income Statement.....	127
Chapter Seven. The Statement of Cash Flows	129
A. Introduction	130
B. Usefulness	130
C. Comparison of Financial Statements.....	130
D. Elements of the Statement of Cash Flows	131
E. Preparing the Statement of Cash Flows	133
Chapter Eight. Accounting for Entity Combinations.....	147
A. Introduction	148
B. The Issues.....	148
Chapter Nine. Other Accounting Activities	153
A. Introduction	154
B. Budgeting.....	154
C. Internal Control.....	155
D. Auditing	158
E. Financial Statement Analysis.....	162
Chapter Ten. Accounting for Stock Options.....	179
A. Introduction	180
B. The Mechanics of a Stock Option.....	180
C. History of Accounting for Stock Opinions.....	180
D. Accounting for Stock Options.....	181
Chapter Eleven. The Role of Accounting Information in Economics and Finance	185
A. Introduction	186
B. Present Value of Cash Flows	186
C. Efficient Market Hypothesis.....	187
D. Economic Returns and Accounting Returns	190
E. The Capital Asset Pricing Model.....	190
F. The Black-Scholes Option Pricing Model.....	191
Appendix	193
REVIEW QUESTIONS AND ANSWERS	197
EXAM QUESTIONS AND ANSWERS	207
INDEX	213