## contents

## PART I INTRODUCTION

Chapter 1	Introduction to Accounting			•	3
	Accounting and descriptions				3
	The accounting process				5
	Who uses accounting information?				6
	The nature of accounting			•	11
	Some familiar concepts used in accounting				12
	Summary				17
	Assignment material			Ч.	17
	Questions, problems, and projects	•	•	×.	18
Chapter 2	An Accounting Framework				24
	Nature and purpose of a framework for accounting		•===		24
	The basic accounting framework				25
	Some models for measuring amounts and changes				36
	The use of measurement models in accounting				39
	The challenge of accounting				41
	Summary				41
	Questions, problems, and projects			•	42
Appendix to	O Chapter 2 Accounting Records				51
	The journal				52
	Accounts				53
	Specialized records				55
	An illustration				55
	Problems for Appendix to Chapter 2	•			57

## PART II THE VALUE MODEL

Chapter 3	Valuation			•	•	61
	The importance of valuation in accounting					
	measurement					61
	Changes in value			•	•	63
	Periodicity-valuation at a moment in time					65
	Some methodology for valuation					65
	Methodology for valuation in more complex					
	situations					68
	The rate of interest			•		70
	Valuing streams of future receipts			•		73
	Summary					78
	Questions, problems, and projects	•			•	79
Chapter 4	Alternative Measurements of Value		·		•	85
	The role of transactions in measuring values					86
	Varieties of value					88
	Relationships among varieties of value					97
	Cost as a measure of value in transactions					98
	Cost as a measure of the value of resources					99
	Criteria for accounting for values					101
	Summary		•			103
	Questions, problems, and projects		•	·	•	104
PART III	USING THE ACCOUNTING FRAMEWORK					
Chapter 5	Valuing Business Enterprises: The Balance Sheet					113
	The focuses of attention in accounting					113
	Statements of value and position-the balance shee					118
	Some characteristics of balance sheets					118
	The accounting equation and balance sheets					120
	Some accounting classifications					122
	The information in a balance sheet		•			124
	Summary					133
			•	•	•	135
Chapter 6	Flows of Value: Income and Its Measurement					143
	Accounting for resource flows					143
	The concept of income					148
	Measuring and reporting income					149

	Interest and income							151
	The nature of changes in value	•	:				•	151
	Economic events and their classification					•		155
	Observing economic events			-	•	•		161
	Measuring income				•		•	162
	Changes in ownership and income	•	٠		•	•	·	163
					•	•	٠	
	Summary				٠	8	۲	164
	Questions, problems, and projects	·	•	ľ	·	•	·	165
Chapter 7	Reporting Income: The Income Statement							172
	Economic events—a reprise							172
	Measuring income by measuring events	•				1		173
	Price level changes and their effects					•		178
	Specific price changes				•	•		187
	A model income report	•		•	•	•	•	189
	Criteria for accounting for income: a loo							109
	cost model							196
						•	•	190
						٠	•	200
	Questions, problems, and projects	•	•	•	•	•	•	200
Chapter 8	Resource, Cash, and Asset Flows		•	•	•	•		207
	The importance of information about reso	our	ce					
	flows							207
	Concepts of resources—"funds"							
	Comparing resource flows to income .							214
	Analyzing and reporting resource flows							
	The reporting framework: values, income,							
	Summary						•	225
	Questions, problems, and projects							
PART IV	THE FRAMEWORK AND ACCOUNTING PR The Cost Model	AC	TICI	E—,				
Chapter 9	Valuing Intangibles for Financial Reports					•		235
	Tangible and intangible objects and rights				- 20			236
	The nature of intangibles							239
	Valuing intangibles							242
	Intangible liabilities							247
								247
	Reporting criteria		inte		1-	•	•	240
	Generally accepted accounting principles f							250
	and liabilities	•	٠	•	٠	•	•	250

	Conclusion					251
	Summary					251
	Questions, problems, and projects	•	·	•	•	252
Chapter 10	Valuing Long-Term Liabliities	•		•		260
	Short-term and long-term liabilities					260
	Future payments					261
	Uncertain future payments and value					264
	What liabilities should be reported?					265
	Long-term debt					266
	Effects of changes in the market rate of interest					278
	Long-term leases					279
	Conditional liabilities					281
	Changes in the value of the dollar	•			3 <b>•</b> 1	285
	Summary			•	•	288
	Questions, problems, and projects	•	•	•	•	288
Chapter 11	Valuing Short-Term Liabilities	·		•		296
	Classification of current liabilities					297
	Interest and current liabilities					301
	Current liabilities, income, and resource flows					305
	Summary					306
	Questions, problems, and projects	•	•	•		307
Chapter 12	Valuing Assets			•	•	313
	Classification of assets					314
	Valuing current assets	÷.				315
	Valuing fixed assets					322
	The aggregation problem—adding up					329
	Asset conversions					330
	The effects of price changes on value					330
	Generally accepted accounting principles for val					334
	Summary					335
	Questions, problems, and projects	•	•	•	•	336
Chapter 13	Timing Recognition of Expenses and Costs	·	•	•	•	344
	Costs, expenditures, and expenses					344
	Product-related expenses—inventory valuation					349
	Program, project, or activity-related expenditur					
	and expenses					361
	Depreciation					366

	÷.					
	Price level changes and expenses					374
	Summary					374
	Questions, problems, and projects		•		•	376
Chapter 14	Revenue Measurement and Income Reporting					0.05
	interente medisarentent and meome nepoting ;	1	٠	•	·	385
	Accrual accounting	•	۰.	٠	•	385
	The nature of revenue	٠	•	•	100	388
	Applying the "revenue realization" rule		•		•	392
	Measuring revenue prior to delivery	·	•	•	·	394
	Price level changes and measurement of revenu					
	and expenses				٠	397
	Reported net income as the measure of changes			ue	3	411
	Summary	•	•	•		411
	Questions, problems, and projects	•				412
Chapter 15	Approximiting for Oursesship and International					
Chapter 15	Accounting for Ownership and Intercorporate			8	8	
	Investments	•	·	•	•	421
	Ownership of business firms					422
	Accounting for ownership in proprietorships at			•	•	100
	partnerships					423
	Accounting for ownership in corporations	•	•	•	•	424
	The corporation as an owner of shares			•	•	434
		•			•	437
	Summary			·	•	445
	Questions, problems, and projects		•	·	·	445
	Questions, problems, and projects	•	•	•	•	445
PART V	USING ACCOUNTING REPORTS					
Chapter 16	Using Accounting Information	•	•		٠	457
	Accounting reports as information for decisions					457
	Published financial information					459
						460
	Diversity in accounting principles					463
	Analysis of financial reports					472
	Ratios for testing solvency					473
	Ratios of profitability			·	•	478
	Entity structure and ratios on the control of	•	·	•	•	470
						483
	Financial reports and decision-making	:	•	•	•	
	Summary			·	•	409
	Questions, problems, and projects	•		•	•	490 491
	Questions, problems, and projects	•	•	•	٠	471

## xiv Contents

Epilogue								495
	The institutional structure of accounting						•	496
	Progress in accounting							498
	Addresses of accounting organizations .							499
Appendixes		•	٠	·	•	•	·	502
	Company Annual Reports	٠	•	•	·		•	503
	Caterpillar Tractor Company, 1969							507
	General Electric Company, 1969		•	-42		•	۲	516
	The Magnavox Company, 1969		·		٠	a.	·	526
	Tables of Compound Interest	•		·	·	•	•	530
	Present value of \$1							532
	Present value of \$1 per period		·	•	ч	•	·	534
Index		•	ŀ					537