HORNGREN'S ACCOUNTING

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10TH EDITION

DETAILED CONTENTS

Preface

This tenth edition of *Accounting* continues to provide accounting students with a complete learning resource updated with contemporary issues, examples and real-world case studies. It is focused on current accounting theory and practice in Australia and New Zealand. The new edition covers all the requirements of introductory accounting courses. The text and accompanying learning and teaching packages provide both students and lecturers with the most effective tools available for learning the fundamentals of accounting.

Business context of accounting

Accounting provides students with a *business approach* to the study of accounting by emphasising how financial decision making is based on accurate and complete accounting information. A running case, Accelerators Learning, is used throughout the text to illustrate, in a practical way and with gradually increasing complexity, the topics discussed in each chapter. Similarly, a *Continuing exercise* and a *Continuing problem* are included in the assignment material for each chapter so that students can follow how accounting concepts and techniques develop. Additionally, Millennial Platforms is introduced from Chapter 5 as another running case to demonstrate accounting for retail inventory. The text also develops student awareness of the ethical issues facing the accounting profession by providing an ethical question for consideration at the end of each chapter. This end-of-chapter *Focus on ethics* section provides students with the opportunity for in-depth discussion and analysis. Chapter 1 includes a discussion of ethics in business and the accounting profession today.

Accuracy and currency

Accounting is accurate and up to date. We have been guided in writing this new edition by extensive feedback from students and lecturers, including in-depth chapter reviewing and technical editing. We have also included the very latest, *most up-to-date* information in line with the latest developments in Australian and New Zealand accounting standards. These developments are referenced throughout the text. They include updates to incorporate the new conceptual framework *(Conceptual Framework for Financial Reporting)* issued by the Australian Accounting Standards Board in May 2019. This conceptual framework incorporates the new *Conceptual Framework for Financial Reporting* issued by the International Accounting Standards Board in May 2018. We have updated chapter examples with current news and issues faced by organisations (where possible). In other instances, we highlight that issues of the past (such as sustainability) remain challenges faced by businesses today.

Responding to user needs

Our survey of users is an important part of the effort to effectively meet the needs of students and lecturers. We value the positive comments that enable us to identify those aspects of the book that users find most helpful, and we recognise and respond to areas of concern for our readership. End-of-chapter questions have been updated and refreshed. Topical issues like big data and accounting analytics, and developments in sustainability accounting, have been incorporated and are highlighted in boxes in various chapters. *Connect to: TECHNOLOGY* sections have been updated to align with recent developments. Chapter 7 has been thoroughly updated to reflect the contemporary use of accounting software systems, including cloud accounting, and Chapter 8 is updated to reflect increased electronic cash transactions and the challenges posed by global e-commerce.

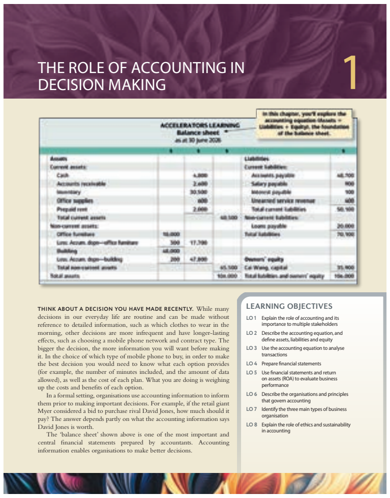
Clear, straightforward approach

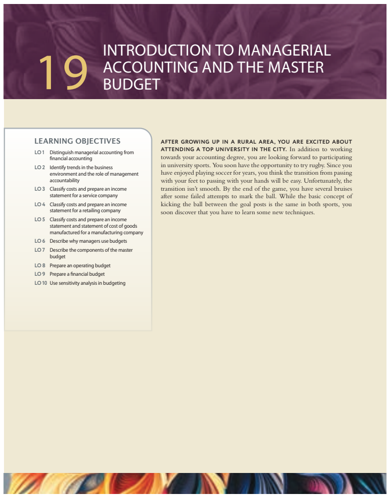
Accounting continues to provide a clear, straightforward approach to the study of accounting. Great care has once again been taken in writing this new edition to ensure that the text is easier than ever for students to read and understand. We believe it is, for students, the most accessible text available, with clear explanations and where possible relevant examples of both how and why accepted accounting concepts and techniques are used.

Guided tour

Accounting 10e features

The 10th edition preserves the classic, solid foundation of the previous editions, while also including a modern and fresh teaching approach that helps students understand the complexities of accounting.





Getting off to the right start: Chapter openers

The chapter openers in this edition are focused on preparing you for the reading. The **financial chapter openers** include a visual of a *balance sheet* that highlights what will be covered within the chapter. The **managerial chapter openers**, like the financial ones, outline the learning objectives that are covered in the text and introduce you to the contents of the chapter.

Put the concepts in context: *Try it!* boxes

Each *Try it!* gives students opportunities to apply the concept they've just learned by reflecting on or completing an accounting problem.

TRY IT! 11.1

O'Connor guarantees its vacuums for four years. Prior experience indicates that warranty costs will be approximately 6% of sales. Assume that O'Connor made sales totalling $200,000 during 2026. Record the warranty expense for the year.

Illustrate the concepts: Decision guidelines

Decision guidelines explain why the accounting concepts addressed in the chapter are important to making decisions in a business setting. The left-hand side of the *Decision guidelines* table explains in simple terms the decision or action asked of the student, while the right-hand side shows the accounting topics that will help facilitate those decisions.

DECISION GUIDELINES 16.1

Using cash flow and related information to evaluate investments

Ana Browning is a private investor. Over the years Browning has devised some guidelines for evaluating investments. Here are some of those guidelines.

QUESTION	FINANCIAL STATEMENT	WHAT TO LOOK FOR
INVESTORS		
Where is most of the company's cash coming from?	Cash flow statement	Operating activities → Good sign Investing activities → Bad sign Financing activities → Okay sign
Do high sales and profits translate into more cash?	Cash flow statement	Usually, but cash flows from operating activities must be the main source of cash for long-term success.
If sales and profits are low, how is the company generating cash?	Cash flow statement	If investing activities are generating the cash, the business may be in trouble because it is selling off its long-term assets. If financing activities are generating the cash, that cannot go on forever. Sooner or later, investors will demand cash flow

Keep it consistent: consistent examples

Rather than learn about a new company each time an example is presented, this text provides two sets of company data (for Accelerators Learning and Millennial Platforms) that are carried through the in-chapter examples. As a result, you gain a sense of familiarity with the context of these examples and can focus your energy on learning the accounting principles in question.

EXHIBIT 16-6 Income statement (simplified)

ACCELERATORS LEARNING LTD
Income statement
for the year ended 30 June 2026
(amounts in thousands)

	$	$
Revenues		
Sales revenue		284
Interest revenue		12
Dividend revenue		9
Gain on sale of non-current assets*		8
Total revenues		313
Expenses		
Cost of sales	150	
Salary and wage expense	56	
Depreciation expense	18	
Interest expense	16	
Other operating expense	17	
Total expenses		257
Profit before income tax		56
Income tax expense		15
Profit		41

*Net of proceeds *less* carrying amount.

Sustainability in action

Sustainability in action features in most chapters show that sustainability issues are integral aspects of accounting for modern businesses. The companies profiled illustrate the types of changes taking place in sustainability management. Each example is accompanied by relevant questions.

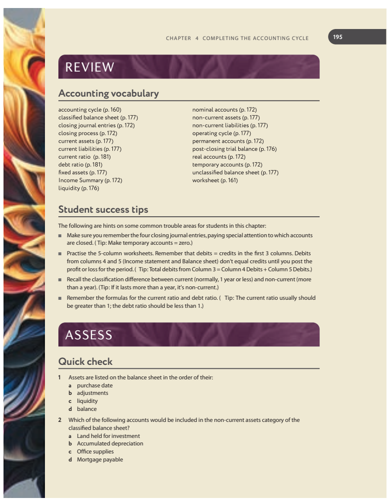
SUSTAINABILITY IN ACTION

CORPORATE SUSTAINABILITY MOVEMENT

'Sustainable companies don't just make the world a better place, they offer higher returns and longer lifespans.' Mike Scott, Corporate Knights.

In Australia, businesses are increasingly taking the position that climate change brings with it economic and social risks in addition to the more obvious environmental challenges. Thus, more and more companies are trying to reduce their greenhouse gas emissions and working towards a low carbon economy. The 2019 list of the world's 100 most sustainable companies included two Australian companies: Westpac and National Australia Bank.

A review of the approaches in dealing with climate change and sustainability by these top performers shows the need for comprehensive focus that includes engaging employees and the community, working on and (with suppliers) developing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REVIEW

Accounting vocabulary

accounting cycle (p. 160)
classified balance sheet (p. 177)
closing journal entries (p. 172)
closing process (p. 172)
current assets (p. 177)
current liabilities (p. 177)
current ratio (p. 181)
debt ratio (p. 181)
fixed assets (p. 177)
Income Summary (p. 172)
liquidity (p. 176)
nominal accounts (p. 172)
non-current assets (p. 177)
non-current liabilities (p. 177)
operating cycle (p. 177)
permanent accounts (p. 172)
post-closing trial balance (p. 176)
real accounts (p. 172)
temporary accounts (p. 172)
unclassified balance sheet (p. 177)
worksheet (p. 161)

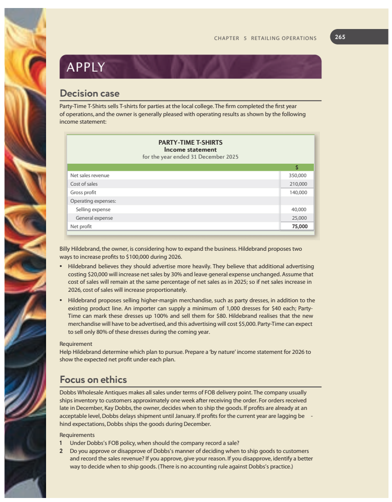
Student success tips

The following are hints on some common trouble areas for students in this chapter:
- Make sure you remember the four closing journal entries, paying special attention to which accounts are closed. (Tip: Make temporary accounts = zero.)
- Practise the 5-column worksheets. Remember that debits = credits in the first 3 columns. Debits from columns 4 and 5 (Income statement and Balance sheet) don't equal credits until you post the profit or loss for the period. (Tip: Total debits from Column 3 = Column 4 Debits + Column 5 Debits.)
- Recall the classification difference between current (normally, 1 year or less) and non-current (more than a year). (Tip: If it lasts more than a year, it's non-current.)
- Remember the formulas for the current ratio and debt ratio. (Tip: The current ratio usually should be greater than 1; the debt ratio should be less than 1.)

ASSESS

Quick check

1 Assets are listed on the balance sheet in the order of their:
a purchase date
b adjustments
c liquidity
d balance
2 Which of the following accounts would be included in the non-current assets category of the classified balance sheet?
a Land held for investment
b Accumulated depreciation
c Office supplies
d Mortgage payable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APPLY

Decision case

Party-Time T-Shirts sells T-shirts for parties at the local college. The firm completed the first year of operations, and the owner is generally pleased with operating results as shown by the following income statement:

PARTY-TIME T-SHIRTS
Income statement
for the year ended 31 December 2025

	$
Net sales revenue	350,000
Cost of sales	210,000
Gross profit	140,000
Operating expenses:	
Selling expense	40,000
General expense	25,000
Net profit	**75,000**

Billy Hildebrand, the owner, is considering how to expand the business. Hildebrand proposes two ways to increase profits to $100,000 during 2026.
- Hildebrand believes they should advertise more heavily. They believe that additional advertising costing $20,000 will increase net sales by 30% and leave general expense unchanged. Assume that cost of sales will remain at the same percentage of net sales as in 2025; so if net sales increase in 2026, cost of sales will increase proportionately.
- Hildebrand proposes selling higher-margin merchandise, such as party dresses, in addition to the existing product line. An importer can supply a minimum of 1,000 dresses for $40 each; Party-Time can mark these dresses up 100% and sell them for $80. Hildebrand realises that the new merchandise will have to be advertised, and this advertising will cost $5,000. Party-Time can expect to sell only 80% of these dresses during the coming year.

Requirement
Help Hildebrand determine which plan to pursue. Prepare a 'by nature' income statement for 2026 to show the expected net profit under each plan.

Focus on ethics

Dobbs Wholesale Antiques makes all sales under terms of FOB delivery point. The company usually ships inventory to customers approximately one week after receiving the order. For orders received late in December, Kay Dobbs, the owner, decides when to ship the goods. If profits are already at an acceptable level, Dobbs delays shipment until January. If profits for the current year are lagging behind expectations, Dobbs ships the goods during December.

Requirements
1 Under Dobbs's FOB policy, when should the company record a sale?
2 Do you approve or disapprove of Dobbs's manner of deciding when to ship goods to customers and record the sales revenue? If you approve, give your reason. If you disapprove, identify a better way to decide when to ship goods. (There is no accounting rule against Dobbs's practice.)

Master the material: Review/Assess/Apply

Review

Use the *Accounting vocabulary* and *Student success tips* to ensure that you remember and understand the key terms and concepts from each chapter.

Assess

Tackle the *Quick check* and *Starter* questions, then jump to the more comprehensive and challenging *Exercises* and *Problems* to master the technical aspects of each chapter.

Apply

It's time to pull everything together! Apply your skills to decision making, ethics and fraud cases.

Educator resources

A suite of resources is provided to assist with delivery of the text, as well as to support teaching and learning.

Solutions Manual

The Solutions Manual provides educators with answers to all of the end-of-chapter questions and problems in the text.

Test Bank

Available in Word® format, the Test Bank provides educators with a wealth of accuracy verified testing material for homework and quizzing. Updated for the new edition, each chapter offers a wide variety of questions, arranged by learning objective and tagged by AACSB standards.

Digital image PowerPoint slides

All the diagrams and tables from the course content are available for lecturer use.