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Changes to This Edition

**General**
Revised end-of-chapter short exercises, exercises, problems, continuing problems, comprehensive problems, and critical thinking cases.
**NEW!** Added three comprehensive problems in managerial chapters.

**Chapter 1**
**NEW!** Added discussion of the Pathways Commission and incorporated the Pathways’ Vision Model.
Clarified and simplified the financial statement presentation.

**Chapter 3**
**NEW!** Added discussion of the new revenue recognition principle.
Replaced the word *prepaid* with *deferrals* to better align with the presentation of the other types of adjusting entries.

**Chapter 4**
Increased the usage of the classified balance sheet as a requirement for end-of-chapter problems.

**Chapter 5**
**NEW!** Added section on income tax expense and updated income statement presentation.

**Chapter 9**
Expanded the discussion on partial-year depreciation.

**Chapter 11**
**NEW!** Added a discussion on income taxes payable.
Updated the payroll section for consistency with current payroll laws at the time of printing.

**Chapter 13**
Moved coverage of treasury stock before dividends to increase students’ understanding of dividend transactions.
Modified the presentation of dividends to match the material presented in earlier chapters (Chapters 1–4).

**Chapter 16**
**NEW!** Added discussion of the Pathways Commission and incorporated the Pathways’ Vision Model.
**NEW!** Included triple bottom line in Today’s Business Environment section.
Expanded the cost flows exhibit to include T-accounts for manufacturing inventory accounts.

**Chapter 17**
Modified the exhibit on summary journal entries to include T-accounts for manufacturing inventory accounts and COGS.

**Chapter 19**
Clarified the explanation of the differences between target pricing and cost-based pricing.

**Chapter 20**
**NEW!** Added comprehensive problem for Chapters 16–20.

**Chapter 24**
**NEW!** Added comprehensive problem for Chapters 22–24.

**Chapter 26**
**NEW!** Added comprehensive problem for Chapters 25 and 26.

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3. Post to Ledger
4. Prepare the Unadjusted Trial Balance
5. Adjust the Work Sheet
6. Adjusting Entries
7. Prepare the Adjusted Trial Balance
8. Prepare the Financial Statements
9. Closing Entries
10. Prepare the Post-Closing Trial Balance

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End-of-Chapter Continuing and Comprehensive Problems

Continuing Problem—Starts in Chapter 1 and runs through the entire book exposing students to recording entries for a service company and then moving into recording transactions for a merchandiser later in the text. The managerial chapters emphasize the relevant topics for that chapter using a continuous company.

Practice Set—Starts in Chapter 2 and goes through the financial chapters and provides another opportunity for students to practice the entire accounting cycle. The practice set uses the same company in each chapter but is often not as extensive as the continuing problem.

Comprehensive Problem 1 for Chapters 1–4—Covers the entire accounting cycle for a service company.

Comprehensive Problem 2 for Chapters 1–4—A continuation of Comprehensive Problem 1. It requires the student to record transactions for the month after the closing process.

Comprehensive Problem for Chapters 1–5—Covers the entire accounting cycle for a merchandise company.

Comprehensive Problem for Chapter 15—Students use trend analysis and ratios to analyze a company for its investment potential.


NEW! Comprehensive Problem for Chapters 22–24—Covers planning and control decisions for a manufacturing company, including a master budget, flexible budget, variance analysis, and performance evaluation.

NEW! Comprehensive Problem for Chapters 25–26—Covers decision making, both short-term business decisions and capital budgeting decisions.

Comprehensive Problem for Appendix C—Uses special journals and subsidiary ledgers and covers the entire accounting cycle for a merchandise company. Students can complete this comprehensive problem using the MyAccountingLab General Ledger or Quickbooks™ software.
Chapter Openers
Chapter openers set up the concepts to be covered in the chapter using stories students can relate to. The implications of those concepts on a company's reporting and decision making processes are then discussed.

Effect on the Accounting Equation
Next to every journal entry, these illustrations help reinforce the connections between recording transactions and the effect those transactions have on the accounting equation.

On November 10, Smart Touch Learning performed services for clients, for which the clients will pay the company later. The business earned $3,000 of service revenue on account. This transaction increased Accounts Receivable, so we debit this asset. Service Revenue is increased with a credit.

\[
\begin{align*}
\text{Date} & \quad \text{Accounts and Explanation} & \quad \text{Debit} & \quad \text{Credit} \\
\text{Nov. 10} & \quad \text{Accounts Receivable} & \quad 3,000 & \quad \text{Service Revenue} & \quad 3,000 \\
\text{Performed services on account.} & \\
\end{align*}
\]

Instructor Tips & Tricks
Found throughout the text, these handwritten notes mimic the experience of having an experienced teacher walk a student through concepts on the “board.” Many include mnemonic devices or examples to help students remember the rules of accounting.

\[
\begin{align*}
\text{Date} & \quad \text{Accounts and Explanation} & \quad \text{Debit} & \quad \text{Credit} \\
\text{Dec. 31} & \quad \text{Depreciation Expense—Building} & \quad 250 & \quad \text{Accumulated Depreciation—Building} & \quad 250 \\
& \quad \text{To record depreciation on building.} & \\
\end{align*}
\]

Remember, an increase in a contra asset, such as Accumulated Depreciation, decreases total assets. This is because a contra asset has a credit balance and credits decrease assets.
Notice that Smart Touch Learning credited the amortization directly to the intangible asset, Patent, instead of using an Accumulated Amortization account. A company may credit an intangible asset directly when recording amortization expense, or it may use the account Accumulated Amortization. Companies frequently choose to credit the asset account directly because the residual value is generally zero and there is no physical asset to dispose of at the end of its useful life, so the asset essentially removes itself from the books through the process of amortization.

At the end of the first year, Smart Touch Learning will report this patent at $160,000 ($200,000 cost minus first-year amortization of $40,000), the next year at $120,000, and so forth. Each year for five years the value of the patent will be reduced until the end of its five-year life, at which point its book value will be $0.

**Try It! Boxes**

Found after each learning objective, Try Its! give students the opportunity to apply the concept they just learned to an accounting problem. Deep linking in the eText will allow students to practice in MyAccountingLab without interrupting their interaction with the eText.
Decision Boxes
This feature provides common questions and potential solutions business owners face. Students are asked to determine the course of action they would take based on concepts covered in the chapter and are then given potential solutions.

Can we cut these costs?
The management team of Puzzle Me is looking at the production cost reports for July, and discussing opportunities for improvement. The production manager thinks the production process is very efficient, and there is little room for cost savings in conversion costs. The purchasing manager tells the team that he was recently approached by a supplier with an excellent reputation for quality.

This supplier submitted a bid for cardboard that was a little thinner but would allow the company to decrease direct materials costs by 5%. What should the team do?

Solution
The production cost reports for the Assembly and Cutting Departments show direct materials costs of $2.80 and $0.50 per puzzle, for total direct materials cost of $3.30 per puzzle. A decrease of 5% in direct materials costs would result in a savings of $0.165 per puzzle ($3.30 × 5%) and decrease total costs from $5.30 to $5.135 per puzzle. Based on the completed production of 38,000 puzzles in July, the total cost savings would be $6,270 per month ($0.165 per puzzle × 38,000 puzzles). The purchasing manager recommends using the new supplier.

Alternate Solution
The marketing manager has a different perspective. He points out that most of the puzzles produced are for toddlers. Based on market research, the adults who purchase these puzzles like the sturdy construction. If Puzzle Me changes materials and the puzzles do not stand up well to the treatment they receive by young children, the company could rapidly lose market share. The marketing manager does not recommend using a thinner cardboard.

Things You Should Know
Provides students with a brief review of each learning objective presented in a question and answer format.
Dear Colleague,

Thank you for taking time, out of what we know is a busy schedule, to review the newest edition of *Horngren’s Financial and Managerial Accounting*. We are excited to share our innovations with you as we expand on the proven success of our significant revision to the Horngren franchise. Using what we have learned from focus groups, market feedback, and our colleagues, we’ve designed this edition to focus on several goals.

First, we made certain that our content was clear, consistent, and above all, accurate. As authors, we reviewed each chapter to ensure that students understand what they are reading and that there is consistency from chapter to chapter. In addition, our textbook goes through a multi-level accuracy check which includes the author team working every single accounting problem and having a team of accounting professors from across the nation review for accuracy. Next, through ongoing conversations with our colleagues and our time engaged at professional conferences, we confirmed that our pedagogy and content represents the leading methods used in the classroom and provides your students with the foundation they need to be successful in their future academic and professional careers. Lastly, we concentrated on student success and providing resources for professors to create an active and engaging classroom.

**Student success.** Using our experience as educators, our team carefully considered how students learn, what they learn, and where they struggle the most. We understand that sometimes there is a gap in students’ understanding between the textbook content and what is done in the classroom or in an online environment, so we have included in the textbook and enhanced eText several great learning aids for students. *Instructor Tips and Tricks and Common Questions Answered* address areas that are typically challenging for students. These aids provide handy memory tools or address common student misconceptions or confusion. We also realized that students use our enhanced eText to study on their own time and we have built in many new features to bring learning to life and to allow students to apply the concepts they are reading about outside of the classroom. Available through MyAccountingLab, students have the opportunity to watch author recorded solution videos, practice the accounting cycle using an interactive tutorial, and watch in-depth author-driven animated lectures that cover every learning objective.

**Professor expectations.** As professors, we know it’s critical to have excellent end-of-chapter material and instructor resources. With these expectations, all end-of-chapter problems have been revised and our author team, along with our trusted accuracy checkers, have checked every problem for accuracy and consistency. In addition to financial comprehensive problems, three NEW comprehensive problems have been added to the managerial content. These problems cover multiple chapters and encourage students to think reflectively about prior material learned and the connections between accounting concepts. We have also reviewed and updated ALL instructor resources to accompany this edition of the book. In addition, the PowerPoint presentations and Test Bank have had significant revisions based upon your feedback and needs.

**Expanding on the proven success** of our last edition, we believe that our enhancements to *Horngren’s Financial and Managerial Accounting*, along with MyAccountingLab, will help your students achieve success in accounting. We welcome your feedback, suggestions, and comments. Please don’t hesitate to contact us at HorngrensAccounting@pearson.com.

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Tracie L. Miller-Nobles, CPA  Brenda Mattison  Ella Mae Matsumura, PhD
Instructor and Student Resources

Each supplement, including the resources in MyAccountingLab, has been reviewed by the author team to ensure accuracy and consistency with the text. Given their personal involvement, you can be assured of the high quality and accuracy of all supplements.

For Instructors

MyAccountingLab

Online Homework and Assessment Manager: http://www.myaccountinglab.com

Instructor Resource Center: http://www.pearsonhighered.com/Horngren

For the instructor’s convenience, the instructor resources can be downloaded from the textbook’s catalog page (http://www.pearsonhighered.com/Horngren) and MyAccountingLab. Available resources include the following:

**Online Instructor’s Resource Manual:**

*Course Content:*
- Tips for Taking Your Course from Traditional to Hybrid, Blended, or Online
- Standard Syllabi for Financial Accounting (10-week & 16-week)
- Standard Syllabi for Managerial Accounting (10-week & 16-week)
- Sample Syllabi for 10- and 16-week courses
- “First Day of Class” student handouts include:
  - Student Walk-Through to Set-up MyAccountingLab
  - Tips on How to Get an A in This Class

*Chapter Content:*
- Chapter Overview
  - Contains a brief synopsis and overview of each chapter.
- Learning Objectives
- Teaching Outline with Lecture Notes
  - Revised to combine the Teaching Outline and the Lecture Outline Topics, so instructors only have one document to review.
  - Walks instructors through what material to cover and what examples to use when addressing certain items within the chapter.
- Handout for Student Notes
  - An outline to assist students in taking notes on the chapter.
- Student Chapter Summary
  - Aids students in their comprehension of the chapter.
- Assignment Grid
  - Indicates the corresponding Learning Objective for each exercise and problem.
- Answer Key to Chapter Quiz
- Ten-Minute Quiz
  - To quickly assess students’ understanding of the chapter material.
- Extra Critical Thinking Problems and Solutions
  - Critical Thinking Problems removed from this edition of the text were moved to the IRM so instructors can continue to use their favorite problems.
- NEW Guide to Classroom Engagement Questions
  - Author-created element will offer tips and tricks to instructors in order to help them use the Learning Catalytic questions in class.

**Online Instructor’s Solutions Manual:**
- Contains solutions to all end-of-chapter questions, short exercises, exercises, and problems.
- The Try It! Solutions, previously found at the end of each chapter, are now available for download with the ISM.
- All solutions were thoroughly reviewed by the author team and other professors.
Online Test Bank:
■ Includes more than 3,900 questions.
■ Both conceptual and computational problems are available in true/false, multiple choice, and open-ended formats.
■ Algorithmic test bank is available in MyAccountingLab.

PowerPoint Presentations:
Instructor PowerPoint Presentations:
■ Complete with lecture notes.
■ Mirrors the organization of the text and includes key exhibits.

Student PowerPoint Presentations:
■ Abridged versions of the Instructor PowerPoint Presentations.
■ Can be used as a study tool or note-taking tool for students.

Demonstration Problem PowerPoint Presentations:
■ Offers instructors the opportunity to review in class the exercises and problems from the chapter using different companies and numbers.

Clicker Response System (CRS) PowerPoint Presentations:
■ 10 multiple-choice questions to use with a Clicker Response System.

Image Library:
■ All image files from the text to assist instructors in modifying our supplied PowerPoint presentations or in creating their own PowerPoint presentations.

Working Papers and Solutions:
■ Available in Excel format.
■ Templates for students to use to complete exercises and problems in the text.

Data and Solutions Files:
■ Select end-of-chapter problems have been set up in different software applications, including QuickBooks and General Ledger.
■ Corresponding solution files are provided for QuickBooks.

For Students

MyAccountingLab

Online Homework and Assessment Manager: http://www.myaccountinglab.com

• Pearson Enhanced eText
• Data Files
• Animated Lectures
• Demo Docs
• Working Papers
• Student PowerPoint® Presentations
• Accounting Cycle Tutorial
• Flash Cards

Student Resource Web site: http://www.pearsonhighered.com/Horngren

The book's Web site contains the following:
• Data Files: Select end-of-chapter problems have been set up in QuickBooks software and the related files are available for download.
• Working Papers
• Try It! Solutions: The solutions to all in-chapter Try Its! are available for download.

http://www.pearsonhighered.com/Horngren
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