Contents at a Glance

Introduction
Part 1: Getting a Financial Accounting Initiation
CHAPTER 2: Introducing the Big Three Financial Statements
CHAPTER 4: Acronym Alert! Setting the Standards for Financial Accounting55
Part 2: Reviewing Some Accounting Basics
CHAPTER 5: Booking It: The Process Behind Financial Accounting
CHAPTER 6: Focusing on Accounting Methods and Concepts
Part 3: Spending Quality Time with the Balance Sheet 103
CHAPTER 7 Assessing the Balance Sheet's Asset Section
CHAPTER 8 Digging for Debt in the Liabilities Section
CHAPTER 9: Letting Owners Know Where They Stand: The Equity Section 137
Part 4: Investigating Income and Cash Flow
CHAPTER 10: Searching for Profit of Loss on the Income Statement
CHAPTER 11: Following the Money by Studying Cash Flow171
CHAPTER 12: Examining Depreciation Cost Flow Assumptions
CHAPTER 13: Learning about Inventory Cost Flow Assumptions
Part 5: Analyzing the Financial Statements217
CHAPTER 14: Using Ratios and Other Tools
CHAPTER 12: Got Your Dictionary Ready? Reading Explanatory Notes
and Disclosures235
CHAPTER 16: Studying the Report to the Shareholders
Part 6: Feeling Brave? Tackling More Advanced
Financial Accounting Topics265
CHAPTER 17: Accounting for Emerging Issues
CHAPTER 18: Accounting for Income Taxes
CHAPTER 19: Accounting for Leases
CHAPTER 20: Reporting Changes in Methods and the Correction of Errors309

Part 7: The Part of Tens	. 323
CHAPTER 21: Ten Financial Accounting Shenanigans	. 325
CHAPTER 22: Ten Accounting Career Opportunities	. 333
Index	. 341

Attip://www.phookshop.com

Table of Contents

INTRODUCTION	1
About This Book	2
Foolish Assumptions	
Icons Used in This Book	
Beyond the Book	
Where to Go from Here	4
PART 1: GETTING A FINANCIAL ACCOUNTING	
INITIATION	5
CHAPTER 1: Seeing the Big Picture of Financial Accounting	
Knowing the Purposes of Financial Accounting	8
Preparing financial statements	8
Showing historic performance	
Providing results for the annual report	
Getting to Know Financial Accounting Users	
Identifying the most likely users	
Recognizing their needs	
Providing information for decision-making	
Respecting the Key Characteristics of Financial Accounting	
Information	13
Relevance	13
Reliability	
Comparability	
Consistency	
Accepting Financial Accounting Constraints	
Censidering Your Ethical Responsibilities	
Following the accountant's code of conduct	
Having integrity	
Maintaining objectivity	
Achieving independence	
Introducing the Conceptual Framework of Financial Accounting	21
CHAPTER 2: Introducing the Big Three Financial Statements.	
Gauging the Health of a Business through Its Financials	
Reporting Assets and Claims: The Balance Sheet	
Realizing why the balance sheet is "classified"	26
Studying the balance sheet components	26
Seeing an example of a classified balance sheet	29

	Posting Profit or Loss: The Income Statement	.30
	Keeping a scorecard for business activity	
	Studying the income statement components	.31
	Seeing an example of an income statement	.33
	Showing the Money: The Statement of Cash Flows	.33
	Tracking sources and uses of cash	
	Studying sections of the cash flow statement	.34
	Seeing a short statement of cash flows	.35
CHAPTER 3:	Running the Numbers for Success	. 37
	Identifying Accounting Issues and Solutions	
	Selecting a Business Entity	
	Advantages of the sole proprietorship	
	Owners' capital	
	Limiting liability with the S Corporation	.40
	Learning about recognition options	.41
	Reporting for Small Businesses	.42
	Preparing reports	.42
	Analyzing reporting	.45
	Identifying cost issues	.46
	Reporting for Small Businesses. Preparing reports Analyzing reporting Identifying cost issues. Managing Cash	.48
	Identifying cost issues	.48
	Improving cash flow	.53
CHAPTER 4:	Acronym Alert: Setting the Standards	
	for Financial Accounting	. 55
	Walking through the Origins of Number Crunching	.56
	Knowing the Role of the American Institute of Certified Public	
	Accountants (AICPA)	
	FSB audit and attestation standards	
^	AICPA Code of Professional Conduct	
	Following Regulatory Issues	.61
	The U.S. Securities and Exchange	-
	Commission (SEC)	.62
	The Sublic Company Association Oversight Board (DCAOR)	
	The Public Company Accounting Oversight Board (PCAOB) Getting to Know the Financial Accounting Standards	.04
	Board (FASB)	.65
	Understanding generally accepted	. 55
	accounting principles (GAAP)	
	Looking online for the FASB's standards	.67

PART 2	2: REVIEWING SOME ACCOUNTING BASICS	69
CHAPTER 5:	Booking It: The Process Behind Financial	
	Accounting	71
	Shedding Some Light on Bookkeeping	
	Analyzing the Effect of Business Transactions	
	Working the fundamental accounting equation	
	Getting familiar with accounts	
	Defining debits and credits	
	Learning about the transaction methodology	
	Using journals to record cash transactions	
	Recording accrual transactions	
	Learning about other journals	
	Seeing examples of common journal entries	
	Bringing It All Together in the Ledger	88
	Realizing what a ledger is	88
	Posting to the ledgers	89
	Viewing an example of a general ledger	
	Recognizing the purpose of the trial balance	91
CHAPTER 6.	Focusing on Accounting Methods and Concepts	93
CHAI IER O.	Distinguishing between Key Accounting Methods	
	The cash basis	
	The accrual basis	
	Sorting through Standards for Other Types of Accounting	96
	Managerial accounting	
	Not-for-profit accounting	
	Governmental accounting	
	international accounting	
	Considering the Conceptual Framework of Financial Accounting	
	The objective of financial reporting	
	Elements of the financial statements	
	Financial statement measurements	
	3: SPENDING QUALITY TIME WITH	
THE BA	ALANCE SHEET	103
CHAPTER 7:	Assessing the Balance Sheet's Asset Section	105
	Homing in on Historic Cost	
	Learning What Makes an Asset Current	106
	Cash	
	Short-term investments	108

	Accounts receivable110
	Notes receivable111
	Inventory
	Prepaid expenses113
	Keeping Track of Noncurrent (Long-Term) Assets
	Meeting the tangibles: Property, plant, and
	equipment (PP&E)
	Investigating intangible assets116
	Studying the Asset Section of the Balance Sheet
CHAPTER 8:	Digging for Debt in the Liabilities Section 121
	Seeing How Businesses Account for Liabilities
	Keeping Current Liabilities under Control123
	Accounts payable124
	Payroll and taxes
	Unearned revenue
	Other short-term liabilities
	Planning for Long-Term Obligations
	Managing long-term debt
	Anticipating contingent liabilities
	Accounting for Bond Issuances
	Understanding bond basics
	Accounting for bonds sold at face value
	Addressing interest payments134
	Getting and amortizing a premium134
	Reporting a bond discount135
	Retiring and converting bonds136
CHAPTER 9:	Letting Owners Know Where They Stand:
	The Equity Section
	Distinguishing Different Types of Business Entities
	Sole proprietorship
	Partnership
	Corporate
	Defining Paid-in Capital
	Recording Retained Earnings
	Spotting Reductions to Stockholders' Equity
	Paying dividends
	Buying treasury stock
	Learning about Stock Splits
	Accounting for Accumulated Other Comprehensive Income
	Seeing a Sample Equity Section of the Balance Sheet
	Seeming a sample Equity Section of the Bulance Sheet

PART 4: INVESTIGATING INCOME AND CASH FLOW	. 149
CHAPTER 10: Searching for Profit or Loss on the Income	
Statement	. 151
Presenting the Income Statement in One of Two Ways	.152
Recognizing the single-step format	
Breaking it out with the multiple-step format	
Defining Different Types of Businesses	
Providing a service	
Merchandising to the public	
Manufacturing a product	
Examining Income Statement Sections	
Two types of revenue	
Contra revenue accounts	.157
Cost of goods sold	.159
Gross profit	.162
Operating expenses	.162
Operating expenses	.163
Earnings per share	.165
Watching Out for Unusual Income Statement Items	.166
Discontinued operations	
Noncontrolling subsidiary interests	
Arriving at the Final Product	.168
Fall and a state of the state o	
CHAPTER 11: Following the Money by Studying Cash Flow	
Understanding the Difference between Cash and Profit	
Seeing new noncash transactions affect profit	
Distinguishing costs from expenses	
Realizing the Purpose of the Statement of Cash Flows	
Walking through the Cash Flow Sections	
Figuring cash operating results	
Showing cash investing transactions	
Accounting for financing activities	.180
Recognizing Methods for Preparing the Statement	101
of Cash Flows	
Using the direct method	
Starting indirectly with net income Interpreting the Statement of Cash Flows	
Looking at Two Sample Statements of Cash Flows	
LUUNIUS AL LWU SALIIUIE STATEIIIEIIIS UL LASII FIUWS	I O วั

CHAPTER 12: Examining Depreciation Cost Flow	4.07
Assumptions.	
Discovering How Depreciation Affects All Financial Statements Mastering Costs	
Defining costs and expenses in the business world	
Satisfying the matching principle	
Identifying product and period costs	
Learning which costs are depreciated	
Distinguishing among Depreciation Methods	
Walking through the straight-line method	
Accelerating by using declining balance	
Calculating sum-of-the-years'-digits	
Using the units-of-production method	
Seeing how the methods compare	
Figuring partial year depreciation	199
Figuring partial year depreciation Preparing a Depreciation Schedule	200
CHAPTER 13: Learning about Inventory Cost Flow	
Assumptions	203
Discovering How Inventory Valuation Affects the Financial	
Statements	204
Do Service Companies Have Inventory?	
Classifying Inventory Types	
Accounting for manufacturing company inventory	
Getting to Know Inventory Valuation Methods	
Specific identification	
Weighted average	
First-in, first out (FIFO)	
Last-in, first-out (LIFO).	
Comparing inventory cost-flow assumptions	
Preparing an Inventory Worksheet	
PART 5: ANALYZING THE FINANCIAL STATEMENTS	217
CHAPTER 14: Using Ratios and Other Tools	219
Learning about Liquidity Measurements	220
Figuring the current ratio	221
Putting the acid test to work	222
Working with working capital	
Measuring Profitability	
Explaining trend analysis	
Focusing on return on investment	
Homing in on return on equity	

Exploring Activity Measures	.227
Accounts receivable turnover	
Inventory turnover	.228
Number of days' sales in accounts receivable	
Analyzing Financial Statements	.230
Using horizontal analysis	
Comparing with vertical analysis	.231
Using Common Size Financial Statements	.232
Cat Value Distingues Pandu 2 Banding	
CHAPTER 15: Got Your Dictionary Ready? Reading	
Explanatory Notes and Disclosures	
Realizing How Corporations Should Govern Themselves	
Identifying Corporate Characteristics	
Reviewing Common Explanatory Notes	
Leveling the playing field among financial statements	
Explaining significant accounting policies	
Looking for important event disclosures	
Putting the Onus on the Preparer	.249
CHAPTER 16: Studying the Report to the Shareholders	251
	. 251
Why Private and Public Companies Treat Annual Reports Differently	252
Fulfilling Three Purposes	
Serving a marketing and PR function	
Stating financial performance and goals	
Meeting regulatory requirements	
Reading the Annual Report to Shareholders	
Meeting the chair of the board of directors	
Highlighting key financial data	
Touting company achievements	
Looking into the future	
Getting to know key management and board members	
Walking through the Form 10-K	
Facing page: Identifying the affected company	
Part I: Learning more about the registrant	
Part II: Revealing the company's financial performance	
Part III: Identifying management and corporate governance	
Part IV: Exhibits, financial statement schedules, and signature	
PART 6: FEELING BRAVE? TACKLING MORE ADVANCED	
FINANCIAL ACCOUNTING TOPICS	. 265
	267
CHAPTER 17: Accounting for Emerging Issues.	
Reviewing Different Technological Effects on Financial Accounting	
Working in a digital world	
Discussing transitional recording	.272

	273
Booking pharmaceutical transactions	
Crediting Research and Development Costs	
Walking through the background of research and	
development (R&D)	280
Explaining the effect on relevant industries	281
Realizing constraints for costs and expenses	281
Reporting in the books	282
Recognizing Losses	282
Different types of business interruptions	282
Properly expensing or accruing costs	
CHAPTER 18: Accounting for Income Taxes	285
Identifying Financial Income versus Taxable Income	286
Figuring out financial income	
Taking a look at taxable income	
Explaining why the two incomes differ	
Taking Advantage of Net Operating Losses	
Identifying loss carrybacks	
Understanding loss carryforwards	293
Presenting a Side-by-Side Comparison of Book and	
Tax Calculations	294
Taking Deferred Tax Liabilities or Assets to the Balance Sheet	295
A	207
CHAPTER 19: Accounting for Leases	297
Reviewing Lease Basics.	
	298
Reviewing Lease Basics	298
Reviewing Lease Basics	298 298 299
Reviewing Lease Basics	298 298 299 300
Reviewing Lease Basics. Identifying leasing advantages Introducing the lessor and lessee Accounting for the Lessee Looking at operating leases	298 298 300 300
Reviewing Lease Basics. Identifying leasing advantages Introducing the lessor and lessee Accounting for the Lessee	298 298 299 300 300
Reviewing Lease Basics. Identifying leasing advantages Introducing the lessor and lessee Accounting for the Lessee Looking at operating leases Walking through finance leases	298 298 300 300 302 304
Reviewing Lease Basics. Identifying leasing advantages Introducing the lessor and lessee. Accounting for the Lessee Looking at operating leases. Walking through finance leases Presenting a finance lease on the financial statements	298 298 300 300 302 304 305
Reviewing Lease Basics. Identifying leasing advantages Introducing the lessor and lessee. Accounting for the Lessee Jooking at operating leases. Walking through finance leases Presenting a finance lease on the financial statements	298 298 300 300 302 304 305 305
Reviewing Lease Basics. Identifying leasing advantages Introducing the lessor and lessee. Accounting for the Lessee Jooking at operating leases. Walking through finance leases Presenting a finance lease on the financial statements Accounting for the Lessor Operating leases.	298 298 300 300 304 305 305 306
Reviewing Lease Basics. Identifying leasing advantages Introducing the lessor and lessee. Accounting for the Lessee Looking at operating leases. Walking through finance leases Presenting a finance lease on the financial statements Accounting for the Lessor Operating leases Direct financing leases	298 298 300 300 304 305 305 306
Reviewing Lease Basics. Identifying leasing advantages Introducing the lessor and lessee. Accounting for the Lessee Looking at operating leases. Walking through finance leases Presenting a finance lease on the financial statements Accounting for the Lessor Operating leases Direct financing leases Sales-type leases	298 298 300 302 304 305 305 306 307
Reviewing Lease Basics. Identifying leasing advantages Introducing the lessor and lessee. Accounting for the Lessee Looking at operating leases. Walking through finance leases Presenting a finance lease on the financial statements Accounting for the Lessor Operating leases Direct financing leases Sales-type leases CHAPTER 20: Reporting Changes in Methods and the Correction of Errors	298 299 300 302 304 305 305 306 307
Reviewing Lease Basics. Identifying leasing advantages Introducing the lessor and lessee. Accounting for the Lessee Looking at operating leases. Walking through finance leases Presenting a finance lease on the financial statements Accounting for the Lessor Operating leases Direct financing leases Sales-type leases CHAPTER 20: Reporting Changes in Methods and the Correction of Errors Coping with Accounting Changes	298 299 300 302 304 305 305 306 307
Reviewing Lease Basics. Identifying leasing advantages Introducing the lessor and lessee. Accounting for the Lessee Looking at operating leases. Walking through finance leases Presenting a finance lease on the financial statements Accounting for the Lessor Operating leases Direct financing leases Sales-type leases CHAPTER 20: Reporting Changes in Methods and the Correction of Errors	298 298 300 302 304 305 305 306 307

Dealing with Errors	9
PART 7: THE PART OF TENS32	3
CHAPTER 21: Ten Financial Accounting Shenanigans32	5
Reporting Revenue in the Wrong Period	5
Reporting Fictitious Income	
Increasing Income with Misleading Events	
Shifting Expenses Between Periods	
Misclassifying Cash	
Failing to Record Liabilities	
Reporting Liabilities in the Wrong Period	.9 .n
Capitalizing Normal Operating Expenses	
Deleting Transactions	
CHAPTER 22: Ten Accounting Career Opportunities	
Certified Public Accountant	
Consultant	
Corporate Accountant	
Government Accountant	
Information Technology Auditor	
Income Tax Accountant	
International Accountant	
Non-Accounting Accountant33	9
Nct-for-Profit Accountant	0
INDEX	1

Attp://www.abookshop.com