# Contents

## Preface

**1 The Development of Accounting Theory**

- The Early History of Accounting
- Accounting in the United States since 1930
- The Role of Ethics in Accounting
- International Accounting Standards

## 2 The Pursuit of the Conceptual Framework

- The Early Theorists
- Early Authoritative and Semi-Authoritative Organizational Attempts to Develop the Conceptual Framework of Accounting
- The FASB’s Conceptual Framework Project
- Principles-Based versus Rules-Based Accounting Standards
- International Convergence

## 3 International Accounting

- International Business Accounting Issues
- The Development of Accounting Systems
- Preparation of Financial Statements for Foreign Users
- The International Accounting Standards Committee
- The IFRS Foundation Constitution
- The Uses of International Accounting Standards
- The IASC and the IOSCO
- The IASB Annual Improvements Project
- The Use of IASC Standards
- IASB–FASB Convergence
# Contents

The Effects of International versus U.S. GAAP Accounting Standards 83
Standards Overload 86
Framework for the Preparation and Presentation of Financial Statements 87
IAS No. 1 and IFRS No. 1 95
Cases 96
FASB ASC Research 98
Room for Debate 98

## 4 Research Methodology and Theories on the Uses of Accounting Information 99

Research Methodology 99
The Outcomes of Providing Accounting Information 102
The Relationship among Research, Education, and Practice 120
Cases 121
FASB ASC Research 123
Room for Debate 123

## 5 Income Concepts, Revenue Recognition and Matching 125

The Nature of Income 126
Economic versus Accounting Income 130
Revenue Recognition 132
Matching 149
Income Recognition Constraints 151
Earnings Quality, Earnings Management, and Fraudulent Financial Reporting 153
International Accounting Standards 159
Cases 159
FASB ASC Research 162
Room for Debate 162

## 6 Financial Statement I: The Income Statement 164

The Economic Consequences of Financial Reporting 164
Income Statement Elements 164
Statement Format 166
Proposed Format of the Statement of Comprehensive Income 188
The Value of Corporate Earnings 190
International Accounting Standards 195
Cases 199
FASB ASC Research 202
Room for Debate 202
7 Financial Statements II: The Balance Sheet and the Statement of Cash Flows

- The Balance Sheet 203
- Fair Value Measurements 214
- Proposed Format of the Statement of Financial Position 220
- Evaluating a Company’s Financial Position 222
- The Statement of Cash Flows 225
- Proposed Format of the Statement of Cash Flows 233
- Financial Analysis of Cash-Flow Information 236
- International Accounting Standards 237
- Cases 243
- FASB ASC Research 246
- Room for Debate 247

8 Working Capital

- Development of the Working Capital Concept 248
- Current Usage 250
- Components of Working Capital 250
- Working Capital Management 261
- International Accounting Standards 268
- Cases 269
- FASB ASC Research 272
- Room for Debate 273

9 Long-Term Assets I: Property, Plant, and Equipment

- Property, Plant, and Equipment 274
- Financial Analysis of Property, Plant, and Equipment 279
- Cost Allocation 279
- Capital and Revenue Expenditures 282
- Recognition and Measurement Issues 283
- Impairment of Value 283
- Accounting for Asset Retirement Obligations 286
- International Accounting Standards 288
- Cases 294
- FASB ASC Research 298
- Room for Debate 299
10 Long-Term Assets II: Investments and Intangibles 300
  Investments in Equity Securities 300
  Investments in Debt Securities 309
  Impairment of Investments in Unsecuritized Debt 312
  Transfers of Financial Assets 313
  Intangibles 314
  Financial Analysis of Investments and Intangibles 322
  International Accounting Standards 323
  Cases 332
  FASB ASC Research 335
  Room for Debate 336

11 Long-Term Liabilities 337
  The Definition of Liabilities 337
  Recognition and Measurement of Liabilities 338
  Debt versus Equity 339
  Classification of Long-Term Debt 342
  Other Liability Measurement Issues 354
  Troubled Debt Restructurings 359
  Financial Analysis of Long-Term Debt 362
  International Accounting Standards 364
  Cases 370
  FASB ASC Research 374
  Room for Debate 374

12 Accounting for Income Taxes 376
  Historical Perspective 376
  The Income Tax Allocation Issue 377
  Financial Analysis of Income Taxes 397
  International Accounting Standards 399
  Cases 402
  FASB ASC Research 405
  Room for Debate 405

13 Leases 407
  Accounting for Leases 408
  Financial Analysis of Leases 419
14 Pensions and Other Postretirement Benefits

- Historical Perspective 441
- Accounting for the Pension Fund 450
- The Employee Retirement Income Security Act 451
- Other Postretirement Benefits 452
- SFAS No. 132 454
- SFAS No. 158 454
- Current Developments 456
- Financial Analysis of Pension and Other Postretirement Benefits 457
- International Accounting Standards 458
- Cases 460
- FASB ASC Research 462
- Room for Debate 462

15 Equity

- Theories of Equity 463
- Definition of Equity 468
- Reporting Equity 471
- Financial Analysis of Stockholders’ Equity 483
- International Accounting Standards 484
- Cases 486
- FASB ASC Research 490
- Room for Debate 490

16 Accounting for Multiple Entities

- Business Combinations 491
- Accounting for Business Combinations 492
- Business Combinations II 497
- Theories of Consolidation 501
- Noncontrolling Interest 502
- Drawbacks of Consolidation 505
- Special-Purpose Entities 506
- Variable Interest Entities 506
<table>
<thead>
<tr>
<th>17</th>
<th>Financial Reporting Disclosure Requirements and Ethical Responsibilities</th>
<th>535</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recognition and Measurement Criteria</td>
<td>535</td>
<td></td>
</tr>
<tr>
<td>Areas Directly Affected by Existing FASB Standards: Supplementary Information</td>
<td>540</td>
<td></td>
</tr>
<tr>
<td>Other Means of Financial Reporting</td>
<td>548</td>
<td></td>
</tr>
<tr>
<td>Other Useful Information for Investment, Credit, and Similar Decisions</td>
<td>551</td>
<td></td>
</tr>
<tr>
<td>Securities and Exchange Commission</td>
<td>553</td>
<td></td>
</tr>
<tr>
<td>Ethical Responsibilities</td>
<td>560</td>
<td></td>
</tr>
<tr>
<td>International Accounting Standards</td>
<td>569</td>
<td></td>
</tr>
<tr>
<td>Cases</td>
<td>571</td>
<td></td>
</tr>
<tr>
<td>FASB ASC Research</td>
<td>575</td>
<td></td>
</tr>
<tr>
<td>Room for Debate</td>
<td>576</td>
<td></td>
</tr>
</tbody>
</table>

Index | 577 |