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Our wives,
Enid, Merlynn, and Donna, for their love,
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**CASES FOR MANAGERIAL DECISION MAKING**

**COMPANY INDEX / SUBJECT INDEX**
Dear Student,

**WHY THIS COURSE?** Remember your biology course in high school? Did you have one of those “invisible man” models (or maybe something more high-tech than that) that gave you the opportunity to look “inside” the human body? This accounting course offers something similar. To understand a business, you have to understand the financial insides of a business organization. An accounting course will help you understand the essential financial components of businesses. Whether you are looking at a large multinational company like Apple or Starbucks or a single-owner software consulting business or coffee shop, knowing the fundamentals of accounting will help you understand what is happening.

“Whether you are looking at a large multinational company like Apple or Starbucks or a single-owner software consulting business or coffee shop, knowing the fundamentals of accounting will help you understand what is happening.”

WHY THIS TEXT? Your instructor has chosen this text for you because of the authors’ trusted reputation. The authors have worked hard to write a text that is engaging, timely, and accurate.

HOW TO SUCCEED? We’ve asked many students and many instructors whether there is a secret for success in this course. The nearly unanimous answer turns out to be not much of a secret: “Do the homework.” This is one course where doing is learning. The more time you spend on the homework assignments—using the various tools that this text provides—the more likely you are to learn the essential concepts, techniques, and methods of accounting. Besides the text itself, WileyPLUS also offers various support resources.

Good luck in this course. We hope you enjoy the experience and that you put to good use throughout a lifetime of success the knowledge you obtain in this course. We are sure you will not be disappointed.

Jerry J. Weygandt
Paul D. Kimmel
Donald E. Kieso
JERRY J. WEYGANDT, PhD, CPA, is Arthur Andersen Alumni Emeritus Professor of Accounting at the University of Wisconsin—Madison. He holds a Ph.D. in accounting from the University of Illinois. Articles by Professor Weygandt have appeared in The Accounting Review, Journal of Accounting Research, Accounting Horizons, Journal of Accountancy, and other academic and professional journals. These articles have examined such financial reporting issues as accounting for price-level adjustments, pensions, convertible securities, stock option contracts, and interim reports. Professor Weygandt is author of other accounting and financial reporting books and is a member of the American Accounting Association, the American Institute of Certified Public Accountants, and the Wisconsin Society of Certified Public Accountants. He has served on numerous committees of the American Accounting Association and as a member of the editorial board of The Accounting Review; he also has served as President and Secretary-Treasurer of the American Accounting Association. In addition, he has been actively involved with the American Institute of Certified Public Accountants and has been a member of the Accounting Standards Executive Committee (AcSEC) of that organization. He has served on the FASB task force that examined the reporting issues related to accounting for income taxes and served as a trustee of the Financial Accounting Foundation. Professor Weygandt has received the Chancellor’s Award for Excellence in Teaching and the Beta Gamma Sigma Dean’s Teaching Award. He is on the board of directors of M & I Bank of Southern Wisconsin. He is the recipient of the Wisconsin Institute of CPA’s Outstanding Educator’s Award and the Lifetime Achievement Award. In 2001 he received the American Accounting Association’s Outstanding Educator Award.

PAUL D. KIMMEL, PhD, CPA, received his bachelor’s degree from the University of Minnesota and his doctorate in accounting from the University of Wisconsin. He teaches at the University of Wisconsin—Milwaukee, and has public accounting experience with Deloitte & Touche (Minneapolis). He was the recipient of the UWM School of Business Advisory Council Teaching Award, the Reggie Taite Excellence in Teaching Award and a three-time winner of the Outstanding Teaching Assistant Award at the University of Wisconsin. He is also a recipient of the Elijah Watts Sells Award for Honorary Distinction for his results on the CPA exam. He is a member of the American Accounting Association and the Institute of Management Accountants and has published articles in The Accounting Review, Accounting Horizons, Advances in Management Accounting, Managerial Finance, Issues in Accounting Education, Journal of Accounting Education, as well as other journals. His research interests include accounting for financial instruments and innovation in accounting education. He has published papers and given numerous talks on incorporating critical thinking into accounting education, and helped prepare a catalog of critical thinking resources for the Federated Schools of Accountancy.

DONALD E. KIESO, PhD, CPA, received his bachelor’s degree from Aurora University and his doctorate in accounting from the University of Illinois. He has served as chairman of the Department of Accountancy and is currently the KPMG Emeritus Professor of Accountancy at Northern Illinois University. He has public accounting experience with Price Waterhouse & Co. (San Francisco and Chicago) and Arthur Andersen & Co. (Chicago) and research experience with the Research Division of the American Institute of Certified Public Accountants (New York). He has done post-doctorate work as a Visiting Scholar at the University of California at Berkeley and is a recipient of NIU’s Teaching Excellence Award and four Golden Apple Teaching Awards. Professor Kieso is the author of other accounting and business books and is a member of the American Accounting Association, the American Institute of Certified Public Accountants, and the Illinois CPA Society. He has served as a member of the Board of Directors of the Illinois CPA Society, then AACS B’s Accounting Accreditation Committee, the State of Illinois Comptroller’s Commission, as Secretary-Treasurer of the Federation of Schools of Accountancy, and as Secretary-Treasurer of the American Accounting Association. Professor Kieso is currently serving on the Board of Trustees and Executive Committee of Aurora University, as a member of the Board of Directors of Kishwaukee Community Hospital, and as Treasurer and Director of Valley West Community Hospital. From 1989 to 1993 he served as a charter member of the national Accounting Education Change Commission. He is the recipient of the Outstanding Accounting Educator Award from the Illinois CPA Society, the FSA’s Joseph A. Silvoso Award of Merit, the NIU Foundation’s Humanitarian Award for Service to Higher Education, a Distinguished Service Award from the Illinois CPA Society, and in 2003 an honorary doctorate from Aurora University.
DO IT! Exercises

DO IT! Exercises in the body of the text prompt students to stop and review key concepts. They outline the Action Plan necessary to complete the exercise as well as show a detailed solution.

**DO IT! 3 Correcting Entries**

Sanchez Company discovered the following errors made in January 2020.

1. A payment of Salaries and Wages Expense of $600 was debited to Supplies and credited to Cash, both for $600.
2. A collection of $3,000 from a client on account was debited to Cash $200 and credited to Service Revenue $200.
3. The purchase of supplies on account for $860 was debited to Supplies $680 and credited to Accounts Payable $680.

Correct the errors without reversing the incorrect entry.

**Solution**

1. Salaries and Wages Expense 600
   Supplies 600
2. Service Revenue 200
   Cash 2,800
   Accounts Receivable 3,000

**Review and Practice**

Each chapter concludes with a Review and Practice section which includes a review of learning objectives, key terms glossary, practice multiple-choice questions with annotated solutions, practice brief exercises with solutions, practice exercises with solutions, and a practice problem with a solution.

**Practice Brief Exercises**

3. **Financial Statement** The balance sheet debit column of the worksheet for Miguel Company includes the following accounts: Accounts Receivable $25,000, Prepaid Insurance $7,000, Cash $8,000, Supplies $11,000, and Stock Investments (short-term) $14,000. Prepare the current assets section of the balance sheet, listing the accounts in proper sequence.

**Solution**

3. **Miguel Company Partial Balance Sheet**

<table>
<thead>
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<tr>
<td>Cash</td>
<td>$ 8,000</td>
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<tr>
<td>Stock investments</td>
<td>14,000</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>25,000</td>
</tr>
<tr>
<td>Supplies</td>
<td>11,000</td>
</tr>
<tr>
<td>Prepaid insurance</td>
<td>7,000</td>
</tr>
<tr>
<td>Total current assets</td>
<td>$65,000</td>
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Infographic Learning

Over half of the text is visual, providing students alternative ways of learning about accounting. In addition, a new interior design promotes accessibility.

Real-World Decision-Making

Real-world examples that illustrate interesting situations in companies and how accounting information is used are integrated throughout the text, such as in the opening Feature Story as well as the Insight boxes.

People, Planet, and Profit Insight

Regaining Goodwill

After falling to unforeseen lows amidst scandals, recalls, and economic crises, the American public’s positive perception of the reputation of corporate America is on the rise. Overall corporate reputation is experiencing rehabilitation as the American public gives high marks overall to corporate America, specific industries, and the largest number of individual companies in a dozen years. This is according to the findings of a Harris Interactive RQ Study, which measures the reputations of the 60 most visible companies in the United States. The survey focuses on six reputational dimensions that influence reputation and consumer behavior. Four of these dimensions, along with the five corporations that ranked highest within each, are as follows.

- **Emotional Appeal**: (1) Johnson & Johnson, (2) Amazon.com, (3) UPS, (4) General Mills, (5) Kraft Foods
- **Financial Performance**: (1) Google, (2) Berkshire Hathaway, (3) Apple, (4) Intel, (5) The Walt Disney Company
- **Products and Services**: (1) Intel Corporation, (2) 3M Company, (3) Johnson & Johnson, (4) Google, (5) Procter & Gamble Co.


Name two industries today which are probably rated low on the reputational characteristics of “being trusted” and “having high ethical standards.” (Go to WileyPLUS for this answer and additional questions.)

Additional Guidance

Throughout the text, marginal notes, such as **Helpful Hints**, **Alternative Terminology**, and **Ethics Notes**, are provided as additional guidance. In addition, more than 100 new solution walkthrough videos are now available in WileyPLUS.

Correcting Entries—An Avoidable Step

Unfortunately, errors may occur in the recording process. Companies should correct errors, as soon as they discover them, by journalizing and posting correcting entries. If the accounting records are free of errors, no correcting entries are needed.

You should recognize several differences between correcting entries and adjusting entries. First, adjusting entries are an integral part of the accounting cycle. Correcting entries, on the other hand, are unnecessary if the records are error-free. Second, companies journalize and post adjustments only at the end of an accounting period. In contrast, companies make correcting entries whenever they discover an error (see Ethics Note). Finally, adjusting entries always affect at least one balance sheet account and one income statement account. In contrast, correcting entries may affect only balance sheet accounts or only income statement accounts.
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