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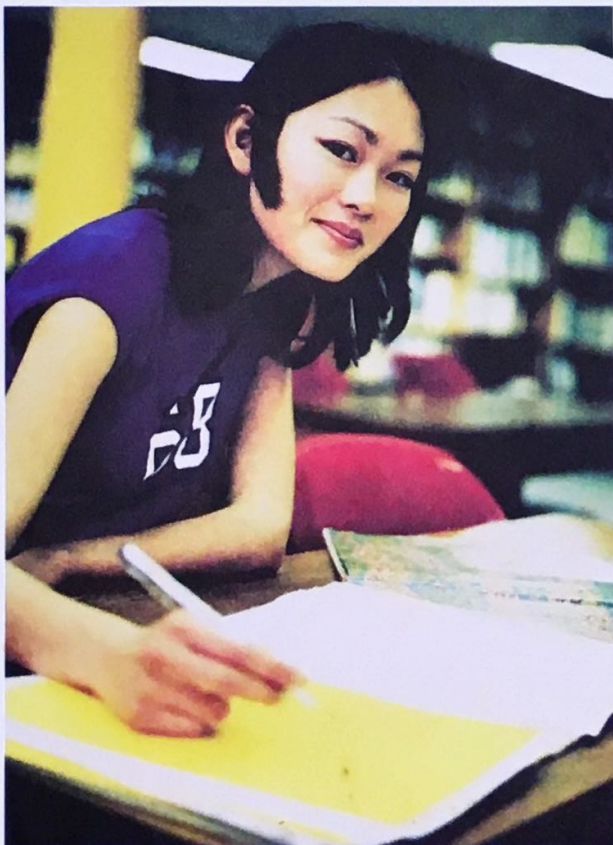
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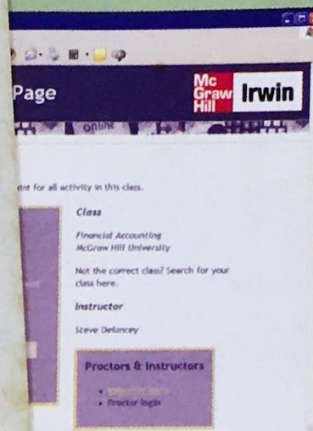
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17
edition

Principles of Financial Accounting

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To my wife **Nancy**.
 To my wife **Gail** and children, **Kimberly, Jonathan, Stephanie, and Trevor**.
 To my husband **Bob**, my sons **Michael and David**, and my **mother**.



FUNDAMENTAL ACCOUNTING PRINCIPLES

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The first edition of the principles of financial accounting was published fifty years ago, into a world very different from the one we live in today.

Technological tools that have reshaped the accounting profession—handheld computers, telecommunications, the Internet—could scarcely have been imagined by the men and women filling in ledgers or punching figures into adding machines. What they had were principles: tried-and-true rules and practices for collecting and interpreting information comprehensively, accurately, and responsibly.

Technology makes certain accounting functions easier, but students require a firm grounding in principles to become good business people—in any era. Teaching these principles in a way that is engaging to students while providing instructors with the support they need has been the goal of this book since the first copy rolled off the press.

Over the years instructors have turned to this book confident that they have selected the most accurate, best organized, and best written book on the market. Feedback on the book's pedagogy, real world examples, and assignment materials has always been outstanding. We've long believed in doing whatever it takes to keep students engaged, from creating interesting chapter opening vignettes to integrating leading-edge technology tools.

With fifty years of success and the expertise of our talented author team, the **Principles of Financial Accounting achieves new heights in student motivation, creative pedagogy, technology integration, and end-of-chapter material.**

Thank you for choosing Principles of Financial Accounting. Here's to the next fifty years!



Principles of Financial Accounting Rates #1

"It (PFA) is the best text I have ever used (in 15 years of teaching). It is the best resource text available for my students to keep and include in their professional library after the course."

— L. Hass,
Glen Oaks
Community College

As with the past fifty years, we actively solicited your feedback when planning the 17th edition of Principles of Financial Accounting (PFA). Independent research* confirmed what we already knew: **Instructors find PFA more satisfying to use than any other principles textbook.**

Top Five Textbooks	Rated as Very Satisfied or Satisfied by Instructors	Mean Rating*
PFA, Larson/Wild/Chiappetta	100%	4.46
Competitor #1	75%	3.83
Competitor #2	64%	3.83
Competitor #3	60%	3.76
Competitor #4	47%	3.79

*Instructors ranked books from very dissatisfied (1) to very satisfied (5).

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— Aimee Liddell, Student, Liberty University

[†]Independent study conducted by Professional Research Group, February 2003.



Kermit D. Larson is the Arthur Andersen & Co. Alumni Professor of Accounting Emeritus at the University of Texas at Austin. He served as chairman of the University of Texas, Department of Accounting and was visiting professor at Tulane University. His scholarly articles have been published in a variety of journals, including *The Accounting Review*, *Journal of Accountancy*, and *Abacus*. He is the author of several books, including *Financial Accounting* and *Fundamentals of Financial and Managerial Accounting*, both published by McGraw-Hill/Irwin.

Professor Larson is a member of the American Accounting Association, the Texas Society of CPAs, and the American Institute of CPAs. His positions with the AAA have included vice president, southwest regional vice president, and chairperson of several committees, including the Committee of Concepts and Standards. He was a member of the committee that planned the first AAA doctoral consortium and served as its director.

Professor Larson served as president of the Richard D. Irwin Foundation. He also served on the Accounting Accreditation Committee and on the Accounting Standards Committee of the AACSB. He was a member of the Constitutional Drafting Committee of the Federation of Schools of Accountancy and a member of the Commission on Professional Accounting Education. He has been an expert witness on cases involving mergers, antitrust litigation, consolidation criteria, franchise taxes, and expropriation of assets by foreign governments. Professor Larson served on the Board of Directors and Executive Committee of Tekcon, Inc., and on the National Accountants Advisory Board of Safe-Guard Business Systems. In his leisure time, he enjoys skiing and is an avid sailor and golfer.

John J. Wild is a professor of accounting and the Robert and Monica Beyer Distinguished Professor at the University of Wisconsin at Madison. He previously held appointments at Michigan State University and the University of Manchester in England. He received his BBA, MS, and PhD from the University of Wisconsin.

Professor Wild teaches accounting courses at both the undergraduate and graduate levels. He has received the Mabel W. Chipman Excellence-in-Teaching Award, the departmental Excellence-in-Teaching Award, and the Teaching Excellence Award from the 2003 graduation class at the University of Wisconsin. He also received the Beta Alpha Psi and Roland F. Salmonson Excellence-in Teaching Award from Michigan State University. Professor Wild is a past KPMG Peat Marwick National Fellow and is a recipient of fellowships from the American Accounting Association and the Ernst and Young Foundation.

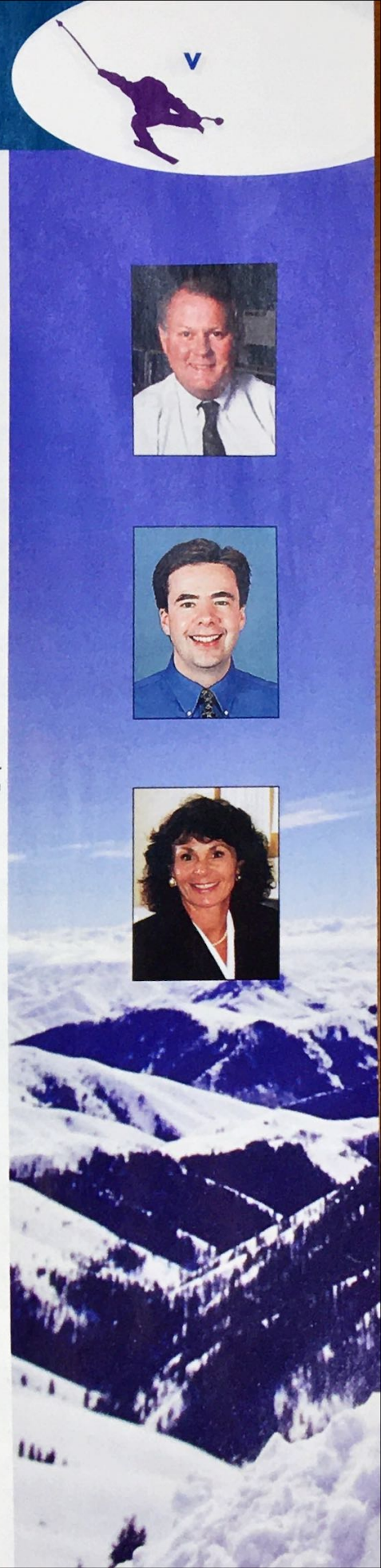
Professor Wild is an active member of the American Accounting Association and its sections. He has served on several committees of these organizations, including the Outstanding Accounting Educator Award, Wildman Award, National Program Advisory, Publications, and Research Committees. Professor Wild is author of *Financial Accounting* and *Financial Statement Analysis*, both published by McGraw-Hill/Irwin. His research appears in *The Accounting Review*, *Journal of Accounting Research*, *Journal of Accounting and Economics*, *Contemporary Accounting Research*, *Journal of Accounting, Auditing and Finance*, *Journal of Accounting and Public Policy*, and other business periodicals. He is past associate editor of *Contemporary Accounting Research* and has served on several editorial boards including *The Accounting Review*.

Professor Wild, his wife, and four children enjoy travel, music, sports, and community activities.

Barbara Chiappetta received her BBA in Accountancy and MS in Education from Hofstra University and is a tenured full professor at Nassau Community College. For the past 17 years, she has been an active executive board member of the Teachers of Accounting at Two-Year Colleges (TACTYC), serving 10 years as vice president and as president from 1993 through 1999. As an active member of the American Accounting Association, she has served on the Northeast Regional Steering Committee, chaired the Curriculum Revision Committee of the Two-Year Section, and participated in numerous national committees.

In 1998, Professor Chiappetta was inducted into the American Accounting Association Hall of Fame for the Northeast Region. She received the Nassau Community College dean of instruction's Faculty Distinguished Achievement Award in 1995. Professor Chiappetta was honored with the State University of New York Chancellor's Award for Teaching Excellence in 1997. As a confirmed believer in the benefits of active learning pedagogy, Professor Chiappetta has authored *Student Learning Tools*, an active learning workbook for a first-year accounting course, published by McGraw-Hill/Irwin.

In her leisure time, Professor Chiappetta enjoys tennis and participates on a U.S.T.A. team. She also enjoys the challenge of bridge. Her husband, Robert, is an entrepreneur in the leisure sport industry. She has two sons—Michael, a lawyer, specializing in intellectual property law in New York, and David, a composer, pursuing a career in music for film in Los Angeles.





Achieve New Heights

Principles of Financial Accounting, 17e

The principles course is crucial for accounting majors and non-majors alike. It is a student's first step into the world of accounting, one which quickly immerses them in unfamiliar and challenging new concepts.

Much of your students' future success in both accounting and business is determined in the time spent in the principles course. Will your students struggle with this new material? Or will they understand that accounting is a vital discipline relevant to any career, and use that knowledge to **achieve new heights of success** in business and throughout their lives?

Principles of Financial Accounting has always been dedicated to presenting accounting concepts as vital tools that anyone can learn to successfully use. The 17th edition expands on this traditional strength by especially focusing on three areas: **student engagement, technology, and end-of-chapter material**.

PFA 17e portrays accounting as it truly is—a language of business communication that is vital to student success.

"[The book] has good coverage for [the Principles course] and excellent exercises, problems, and end-of-chapter materials."

— S. McClure, Tri-County Tech



New heights in student engagement

Instructors repeatedly raise a common concern: the biggest hurdle they face is getting students interested and motivated in the materials. PFA provides answers. It is more engaging and student-friendly than any competing book, from the book's eye-catching design to its comprehensive and stimulating end-of-chapter material. Each new book includes the actual shareholders' report from Krispy Kreme Doughnuts, which gets real financial data in students' hands. Moreover, engaging chapter-opening vignettes focus on small businesses and entrepreneurs to show how accounting knowledge is a springboard to success.



"I think [this book] does a better job motivating and sustaining student interest in accounting."

— L. Kolar, Bucks County Community College

New heights in technology

Match our technology assets against those of any other book, and we're confident you'll agree: PFA's technology is, hands-down, the best in the market.

- **Carol Yachts General Ledger and Peachtree Complete Accounting 2004**
- **ALEKS for Financial Accounting and ALEKS for the Accounting Cycle**
- **Mcgraw-Hill's Homework Manager**
- **Topic Tackler**
- **Online Learning Center**

To learn more about these and other technology enhancements, see page xi.

New heights of end-of-chapter material

PFA's end-of-chapter content is tightly coordinated with the main body of the chapter. Icons for C.A.P. learning objectives make it easy for students to flip back in the chapter to a particular discussion, or to pick up the solution strategy for a specific assignment. In addition, PFA takes technology integration to a new level with two powerful and popular study aids, Homework Manager and Topic Tackler, both specifically written to coordinate with the book. We also revised and expanded the two problem sets for every chapter, with a third set available on the text's Online Learning Center.

By addressing students in language that speaks to them, by providing your class with market-leading technology support, and by ensuring the textbook package is strong in the areas you rely on most, Principles of Financial Accounting helps you **achieve new heights of success** in the classroom—and beyond.

