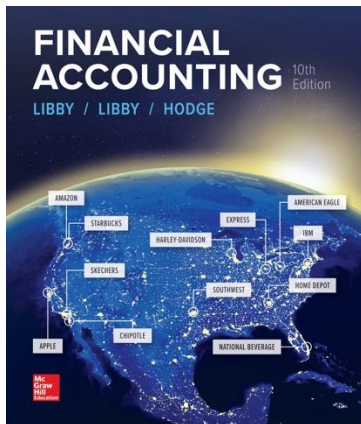


List of Changes



Financial Accounting, 10th edition

Libby, Libby, and Hodge

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New in the 10th edition:

In response to feedback and guidance from numerous financial accounting faculty and new accounting rules, the authors have made many important changes to the tenth edition of *Financial Accounting*, including:

- **New focus companies** including **IBM**, a leading tech company focusing on data analytics, artificial intelligence, and quantum computing; **Skechers USA**, a fast-growing casual and athletic footwear company; and **The Walt Disney Company**, a diversified worldwide entertainment company with significant investments in other companies.
- **New Annual Report Cases** using financial statements from **American Eagle Outfitters** and **Express Inc.** assignable in Connect.
- **Additional emphasis on the new revenue recognition standard** through detailed edits of Chapters 3 and 6.
- Clear and concise discussion of the **new leasing standard** in Chapter 9.
- Discussion of **new passive investments standard** in Appendix A.
- **New format for journal entries** to be consistent with what students see in Connect.
- **New Data Analytics features**, added where appropriate to introduce students to business and accounting applications they may study in later courses.
- **Highlighted Guided Help features** in the text to provide students with narrated,

animated, step-by-step **videos** on select topics in the Self-Study Quizzes in each chapter.

- **New** and Expanded **McGraw-Hill Connect®** content includes new **General Ledger Problems** that auto-post from journal entries to T-accounts to trial balances, **Excel Simulations**, and new **Concept Overview Videos**.
- **Reviewed, updated, and introduced new end-of-chapter material** in each chapter to support new topics and learning objectives.
- **MBA Companion**, available in Create, has been updated to incorporate the new leasing standard and tax law.

Chapter-by-Chapter Changes

Chapter 1: Financial Statements and Business Decisions

Focus Company: Le-Nature's Inc.

- Chapter 1 is written around a recent accounting fraud that is exciting, yet simple. Students are introduced to the structure, content, and use of the four basic financial statements through the story of two brothers who founded **Le-Nature's Inc.**, a natural beverage company. Le-Nature's financial statements are used to support increases in borrowing for expansion. When actual sales do not live up to expectations, the brothers turn to financial statement fraud to cover up their failure, which emphasizes the importance of controls, responsible ethical conduct, and accurate financial reporting.
- **GUIDED HELP** feature provides all users of the text access to step-by-step video instruction on preparing a simple balance sheet, income statement, and statement of stockholders' equity for **LaCrosse Footwear**, a leading outdoor footwear company.
- More algorithmic exercises included in Connect®.
- **New CONTINUING PROBLEM** added to the end-of-chapter problems based on the activities of Penny's Pool Service & Supply and its supplier, **Pool Corporation**. These companies provide a consistent context for summarizing the key points emphasized in each chapter. In Chapter 1, students prepare a basic income statement, statement of stockholders' equity, and balance sheet based on Penny's estimates for the first year.
- Revised Annual Report Cases can be graded through Connect.
- New and updated real companies in end-of-chapter exercises, problems, and cases.

Chapter 2: Investing and Financing Decisions and the Accounting System

Focus Company: Chipotle Mexican Grill

- Chapter 2 introduces the accounting cycle for **Chipotle Mexican Grill**, a relatively simple company facing mounting competition. The chapter integrates typical financial information for investing and financing activities for the first quarter, resulting in a quarterly balance sheet (with a few simplifications). This fast-casual restaurant does not utilize franchising, thus reducing the complexities found with most other competitors and allowing focused emphasis on transaction analysis, journal entries, T-accounts, and the structure of the balance sheet.
- **Simplified illustration numbers** (now dollars in millions).
- Modified the **format of journal entries** to be consistent with what students will see in Connect.
- Added **DATA ANALYTICS** feature that introduces students to the concept, how Chipotle Mexican Grill utilizes data analytics in decision making, and provides information on what a data-driven focus means to future employment opportunities.
- Focus and contrast company data updated.
- Highlighted **GUIDED HELP** features provide access to step-by-step video instruction applying transaction analysis to identify accounts and effects on the accounting

equation and another Guided Help for recording, posting, and classifying accounts for financing and investing activities.

- **New General Ledger Problem** designations for a few exercises and problems that also may be completed manually.
- **New General Ledger Problem** designation for the **CONTINUING PROBLEM** in the end-of-chapter problems based on the activities of Penny's Pool Service & Supply and its supplier, **Pool Corporation**. In Chapter 2, students prepare journal entries, post to T-accounts, prepare a trial balance and classified balance sheet, identify investing and financing activities affecting cash flows, and compute and interpret the current ratio based on the balance sheet for Penny's Pool Service & Supply.
- **New and updated real company information** in end-of-chapter exercises, problems, and cases.
- Revised Annual Report Cases that can be graded through Connect.

Chapter 3: Operating Decisions and the Accounting System

Focus Company: Chipotle Mexican Grill

- Chapter 3 builds on Chapter 2 by explaining and illustrating transaction analysis for operating activities for the first quarter for Chipotle Mexican Grill. Using journal entry and T-account tools learned in Chapter 2, students apply their expanded knowledge of accounting concepts and transaction analysis to prepare journal entries and T-accounts for typical transactions involving revenues and expenses, and the structure of the income statement.
- **Simplified illustration numbers** (now dollars in millions).
- Added **DATA ANALYTICS** feature on examples of use of Big Data in the restaurant industry.
- Added **FINANCIAL ANALYSIS** feature on the 2017 **corporate tax rate changes** and the resulting activities of a few corporations including Chipotle Mexican Grill.
- Focus and contrast company data updated.
- Enhanced concepts based on the FASB's Accounting Standards update for **revenue recognition**.
- Highlighted **GUIDED HELP** feature provides access to step-by-step video instruction applying transaction analysis to identify accounts and effects on the accounting equation, as well as for identifying revenue and expense account titles and amounts for a given period.
- **New General Ledger Problem** designations for a few exercises and problems that also may be completed manually.
- **CONTINUING PROBLEM** in end-of-chapter problems based on the activities of Penny's Pool Service & Supply and its supplier, **Pool Corporation**. In Chapter 3, students prepare journal entries, create a classified income statement, and calculate and analyze the net profit margin for Penny's Pool Service & Supply.
- **New COMPREHENSIVE PROBLEM** covering Chapters 1, 2, and 3 that can be completed manually or as a **General Ledger Problem**.
- **New and updated real company information** in end-of-chapter exercises, problems, and cases.
- Revised Annual Report Cases that can be graded through Connect.

Chapter 4: Adjustments, Financial Statements, and the Quality of Earnings

Focus Company: Chipotle Mexican Grill

- Chapter 4 builds on Chapters 2 and 3
- by explaining and illustrating end-of-period adjustments, financial statements, and

closing the records for the first quarter for **Chipotle Mexican Grill**.

- Focus and contrast company data updated.
- Added a **DATA ANALYTICS** feature on the use of data analytics by the Securities and Exchange Commission's Fraud Group, which concentrates on detecting fraud and prosecuting corporations and individuals for violations involving false or misleading financial statements and disclosures.
- Highlighted **GUIDED HELP** feature provides access to step-by-step video instruction on recording adjusting entries, as well as a Guided Help on recording a closing entry.
- **New General Ledger Problem** designations for a few exercises and problems that also may be completed manually.
- **CONTINUING PROBLEM** in end-of-chapter problems based on the activities of Penny's Pool Service & Supply and its supplier, **Pool Corporation**. In Chapter 4, students prepare adjusting journal entries for Penny's Pool Service & Supply.
- **Two COMPREHENSIVE PROBLEMS** covering the accounting cycle (Chapters 1 through 4) that can be completed manually or as a **General Ledger Problem**.
- **New and updated real company information** in end-of-chapter exercises, problems, and cases.
- Revised Annual Report Cases that can be graded through Connect.

Chapter 5: Communicating and Interpreting Accounting Information

Focus Company: Apple Inc.

- Chapter 5 has been rewritten around the most recent financial statements and corporate governance and disclosure processes of **Apple Inc.**, students' favorite technology company.
- Focus and contrast company data updated.
- Focus of the chapter has been narrowed to three topics: details of the corporate governance and disclosure process; financial statement formats and important subtotals, totals, and additional disclosures; and the analysis of financial statements through gross profit, net profit, total asset turnover, and return on assets analysis.
- Updated coverage of the changing world of web-based information services used by analysts.
- Section on the effects of transactions on key ratios ties the chapter to material in Chapters 2, 3, and 4.
- **New DATA ANALYTICS** feature that introduces students to how data analytics are changing the nature of auditing.
- Highlighted **GUIDED HELP** feature provides access to step-by-step video instruction on preparing a detailed classified income statement and balance sheet from a trial balance for **Amazon. com**, the world's largest online retailer.
- More algorithmic exercises included in Connect.
- Two **CONTINUING PROBLEMS** in end-of-chapter problems. The first asks students to evaluate the effects of key transactions on important statement subtotals and financial ratios for Penny's Pool Service & Supply. The second introduces Penny's supplier, **Pool Corporation**, a public company, and asks students to prepare a detailed classified income statement and balance sheet and compute the gross profit percentage and return on assets ratios.
- Revised Annual Report Cases can be graded through Connect.
- **New and updated real company information** in the demonstration case, end-of-chapter exercises, problems, and cases.

Chapter 6: Reporting and Interpreting Sales, Revenue, Receivables, and Cash

Focus Company: Skechers U.S.A.

- **New Focus Company:** The chapter material is rewritten around the financial statements of **Skechers U.S.A.**, a fast-growing leader in the casual and athletic footwear market.
- Content narrowed to three related topics: revenue recognition and determinants of net sales, receivables valuation, and control of cash.
- **New** coverage of five-step revenue recognition process for bundled sales added at a level appropriate for the introductory student.
- Coverage of electronic banking increased.
- Two **GUIDED HELP** features provide access to step-by-step video instruction on preparing entries related to bad debts and determining their financial statement effects and (2) using aging to estimate bad debt expense.
- More algorithmic exercises included in Connect.
- **CONTINUING PROBLEM** asks students to make summary entries for bad debts and compute the amount to be reported as net sales for **Pool Corporation**, a public company.
- Revised Annual Report Cases can be graded through Connect.
- **New and updated real company information** in end-of-chapter exercises, problems, and cases.

Chapter 7: Reporting and Interpreting Cost of Goods Sold and Inventory

Focus Company: Harley-Davidson, Inc.

- Focus and contrast company data updated.
- **New** FASB's Accounting Standards update for applying lower of cost or net realizable value to inventories covered at an appropriate level for the introductory course.
- Two **GUIDED HELP** features provide access to step-by-step video instruction on (1) computation of goods available for sale and cost of goods sold and (2) computing cost of goods sold and ending inventory under FIFO and LIFO costing methods.
- **New COMPREHENSIVE PROBLEM** added that covers key revenue recognition, receivables, and inventory learning objectives from Chapters 6 and 7.
- More algorithmic exercises included in Connect.
- **CONTINUING PROBLEM** included in end-of-chapter problems. Students are asked to compute the effects of the LIFO/FIFO choice for inventory items with increasing and decreasing costs for **Pool Corporation**, a public company.
- Revised Annual Report Cases can be graded through Connect.
- **New and updated real company information** in end-of-chapter exercises, problems, and cases.

Chapter 8: Reporting and Interpreting Property, Plant, and Equipment; Intangibles; and Natural Resources

Focus Company: Southwest Airlines

- Chapter 8 illustrates the acquisition, use, repair and improvement, and disposal of property, plant, and equipment, followed by an illustration of accounting and reporting for intangible assets and natural resources at several companies including **Amazon.com** (goodwill from purchase of Whole Foods Market), **Cisco Systems** (goodwill), **IBM** (technology), **Gilead Sciences** (research and development), **Yum! Brands** and **Papa John's International** (franchises), and **International Paper** (natural resources), among others.
- Enhanced discussion of accounting for **technology**.

- Focus and contrast company data updated.
- **New General Ledger Problem** designations for a few exercises and problems that also may be completed manually.
- Highlighted **GUIDED HELP** features provide access to step-by-step video instruction on determining cost and creating depreciation schedules under straight-line, units-of-production, and declining-balance methods, as well as a Guided Help on recording a disposal of an asset.
- **CONTINUING PROBLEM** in end-of-chapter problems. Based on the activities of **Pool Corporation**, students are asked to determine cost; create depreciation schedules under straight-line, units-of-production, and declining-balance methods; and dispose of an asset.
- New **COMPREHENSIVE PROBLEMS** covering sales and receivables, inventory, and productive assets (Chapters 6 through 8), with one that can be completed manually or as a **General Ledger Problem**.
- **New and updated real company information** in end-of-chapter exercises, problems, and cases.
- Revised Annual Report Case that can be graded through Connect.

Chapter 9: Reporting and Interpreting Liabilities

Focus Company: Starbucks

- Focus company data updated. New contrast companies added.
- Incorporated easy-to-follow discussion of the **new leasing standard**.
- Updated descriptions of how to calculate present values using tables, three different financial calculators, and Excel.
- **GUIDED HELP** features teach students the steps required to compute present values using three popular calculator models (TI BAII+, HP 10BII+, and HP 12C) and Excel.
- **Supplement A** compliments the Guided Help tutorials with vivid graphics displaying the steps required to compute present values using all three calculator models (TI BAII+, HP 10BII+, and HP 12C) and Excel.
- **CONTINUING PROBLEM** asks students to record transactions that affect the liabilities section of the balance sheet for **Pool Corporation**, a public company.
- Updated Annual Report Case that can be graded through Connect.
- Updated end-of-chapter exercises, problems, and cases.

Chapter 10: Reporting and Interpreting Bond Securities

Focus Company: Amazon

- Focus company data updated.
- Updated graphics that visually help students understand the timing of bond payments and the accounting for bonds.
- **FINANCIAL ANALYSIS** feature describes bond ratings and bond rating agencies.
- Revised structure allows instructors to seamlessly assign accounting for bonds with or without the use of discount and premium accounts.
- Updated **GUIDED HELP** tutorials walk students through (1) how to calculate the present value of a bond issued at a premium and (2) how to account for the bond over its life.
- Simplified discussion of how the issuance of bonds affects the statement of cash flows.

- **CONTINUING PROBLEM** at end of chapter asks students to record bond transactions for **Pool Corporation**, a public company.
- Updated Annual Report Case that can be graded through Connect.
- Updated end-of-chapter exercises, problems, and cases.

Chapter 11: Reporting and Interpreting Stockholders' Equity

Focus Company: International Business Machines (IBM)

- **New Focus Company:** The chapter material is rewritten around the financial statements of **IBM**, a company that focuses on data analytics, artificial intelligence, and quantum computing.
- **New** contrast companies: **Microsoft Corporation** and **Intel Corporation**.
- **New** learning objective focused on the Statement of Stockholders' Equity.
- **FINANCIAL ANALYSIS** feature on preferred stock.
- **CONTINUING PROBLEM** at end of chapter that asks students to record transactions that affect the equity section of the balance sheet for **Pool Corporation**, a public company.
- Updated Annual Report Case that can be graded through Connect.
- Updated end-of-chapter exercises, problems, and cases.

Chapter 12: Statement of Cash Flows

Focus Company: National Beverage Corporation

- **Chapter can be used any time after Chapter 4**
- Focus company information updated
- and new contrast companies are included to reflect changes in the beverage industry.
- Two **GUIDED HELP** features provide access to step-by-step video instruction on preparing the operating section of the statement of cash flows using the indirect method and (2) preparing the investing and financing sections of the statement of cash flows.
- **Supplement C** and related problem material illustrate preparation of the complete statement of cash flows using the T-account approach.
- More algorithmic exercises included in Connect.
- **CONTINUING PROBLEM** included in end-of-chapter problems that asks students to prepare a complete statement of cash flows for **Pool Corporation**, a public company.
- Updated Annual Report Case that can be graded through Connect.
- **New and updated real company information** in end-of-chapter exercises, problems, and cases.

Chapter 13: Analyzing Financial Statements

Focus Company: The Home Depot

- Focus company data updated.
- **New** analyst reports highlighting professional analysts' assessment of The Home Depot.
- **New DATA ANALYTICS** feature that introduces students to graphical analysis of a company's profitability ratios.
- **New** discussion of ROA profit driver analysis.
- Ratio formulas in chapter updated to be consistent with formulas provided in previous chapters.
- **CONTINUING PROBLEM** at end of chapter asks students to download the

latest financial statements for **Pool Corporation**, a public company, and compute various ratios discussed in the chapter.

- Updated Annual Report Case that can be graded through Connect.
- Updated end-of-chapter exercises, problems, and cases.

Appendix A: Reporting and Interpreting Investments in Other Corporations

Focus Company: The Walt Disney Company

- **New focus company, The Walt Disney Company**, a recognizable global company that builds and expands its brands through investing in other companies. Accounting and reporting are discussed and illustrated for (1) debt securities held to maturity, actively traded, and available for sale; passive equity investments; (3) investments involving significant influence; and (4) investments in controlling interests.
- Focus and contrast company data updated.
- **GUIDED HELP** feature provides access to step-by-step video instruction on accounting for and reporting available-for-sale securities as investments at fair value.
- **CONTINUING PROBLEM** in end-of-chapter problems. Using the activities of the **Pool Corporation**, a public company, students are asked to record passive investments as trading securities and as available-for-sale securities over a three-year period.
- **New and updated real company information** in end-of-chapter exercises, problems, and cases.
- End-of-chapter material substantially updated to match the revised content of the chapter for passive investments.
- Revised Annual Report Cases that can be graded through Connect.