

ACCOUNTING

Warren / Reeve / Duchac 26e





Have the tools you need **to be successful**

A variety of tools are available in CengageNOW, all combined in one easy-to-use resource designed to improve your grades. Some resources get you prepared for class and help you succeed on homework, and others show you specific areas where you can work to improve.

Stay ahead of the course requirements

CengageNOW shows you the path through your course—from first day through finals. Once you know what's expected, it's easier to complete your assignments.

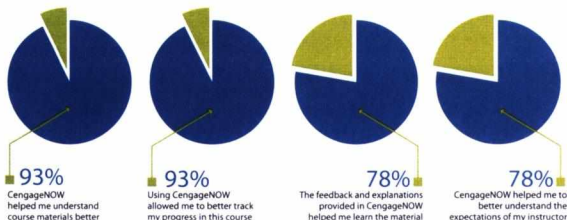
Gain understanding that stays with you

Do well on tests as well as the assignments! Bridge the gap between homework and tests by using CengageNOW to truly understand the material. Self-study and review materials keep you on the right track, to make sure your understanding goes beyond memorization.

Set yourself up for better grades

Why wonder where you stand? CengageNOW includes trackable assignments and grades. It tells you what to do to improve your grade, and gives you the tools to accomplish it!

CengageNOW Helps Students Learn



I love the check your work option. Really, when you're having a hard time figuring out an answer, sometimes working backwards is the best way to understand conceptually what you're doing wrong.

Brad Duncan
University of Utah

I liked the videos because they were short enough to teach me and because they were short, I was able to find time to watch them again and again if I did not understand the first time.

Jennifer Wright
Northeast Wisconsin Technical College

Ask your instructor about CengageNOW for this course.

Source Code: 14M-AA009

ACCOUNTING

26e

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An Integrated Learning System to Keep Students on Track and Progressing!

Example Exercise 3-3 Adjustment for Prepaid Expense

The prepaid insurance account had a beginning balance of \$6,400 and was debited for \$3,600 of premiums paid during the year. Journalize the adjusting entry required at the end of the year, assuming the amount of unexpired insurance related to future periods is \$3,250.

Follow My Example 3-3

Insurance Expense	6,750	
Prepaid Insurance		6,750
Insurance expired (\$6,400 + \$3,600 - \$3,250)		

Practice Exercises: PE 3-3A, PE 3-3B

Example Exercises (EE) throughout the chapter show students how to solve problems by reinforcing fundamental concepts. Students can follow these examples when completing Practice Exercises.

EE 3-3 p. 112

PE 3-3A Adjustment for prepaid expense

OBJ. 2

The supplies account had a beginning balance of \$3,375 and was debited for \$6,430 for supplies purchased during the year. Journalize the adjusting entry required at the end of the year, assuming the amount of supplies on hand is \$2,980.

Adjusting Entry for Prepaid Insurance

The balance in the prepaid insurance account, before adjustment at the end of the year, is \$21,700. Journalize the adjusting entry required under each of the following alternatives for determining the amount of the adjustment: (a) the amount of insurance expired during the year is \$16,450 (b) the amount of unexpired insurance applicable to future periods is \$5,250.

Date	Description	Post. Ref.	Debit	Credit
Dec. 31	Insurance Expense Prepaid Insurance		16,450	
	Insurance expired			16,450

Assets = Liabilities + Owner's Equity (Expense)

Assets					Owner's Equity (Expense)	
Prepaid Insurance		=		+	Insurance Expense	
Bal. 21,700	Dec. 31 16,450				Dec. 31 16,450	

Show Me How

problem demonstrations, linked to exercises in CengageNOWv2, mirror the structure of exercises and problems found in the textbook and include teaching tips and warnings to help students learn and avoid common mistakes.



Adjustment for Prepaid Expense

☒ Instructions ☐ Chart of Accounts ☐ Journal

Instructions

The supplies account had a beginning balance of \$3,375 and was debited for \$6,430 for supplies purchased during the year.

Journalize the adjusting entry required at the end of the year (December 31), assuming the amount of supplies on hand is \$2,980.

Journal

Journalize the adjusting entry on December 31.

DATE	ACCOUNT TITLE	POST. REF.	DEBIT	CREDIT
	Adjusting Entries			

Practice Exercises are assignable in CengageNOWv2, which allows students to access helpful resources such as Check My Work and Show Me How problem demonstrations.

Set Course Expectations and Guide Students to Success!

Motivate students by reshaping their misconceptions about the introductory accounting course. Students are often surprised by both the approach to learning accounting and the necessary amount of time they need to spend outside of class working through homework assignments.

CengageNOWv2 Start-Up Center **NEW!**

The CengageNOWv2 **Start-Up Center** will help students identify what they need to do and where they need to focus in order to be successful with a variety of brand new resources.

NEW Success Strategies Module includes **Student Advice Videos** and a **Success Strategies Tip Sheet** to ensure that students understand course expectations (and how they may differ from other courses) and how to best plan and prepare so as to be successful in the introductory accounting course.



The **Student Advice Videos** feature real introductory accounting students giving guidance to students who are just starting the course about what it takes to be successful in introductory accounting.

NEW Math Review Module, designed to help students get up to speed with necessary math skills, includes **math review assignments** and **Show Me How** math review videos to ensure that students have an understanding of basic math skills, including:

- Whole number operations
- Decimal operations and rounding
- Percentage operations and conversion
- Fraction operations
- Converting numbers expressed in one form to a different form
- Positive and negative numbers
- Ratios and averages

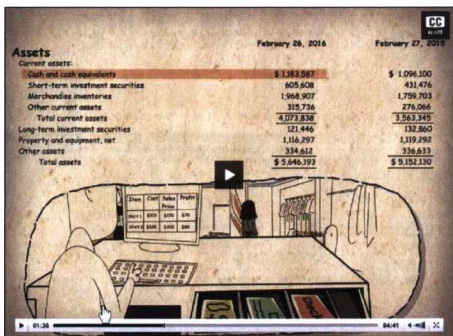
NEW How to Use CengageNOWv2 Module allows students to focus on learning accounting, not on a particular software system. Quickly familiarize your students with CengageNOWv2 and direct them to all of its built-in student resources.

Expose Students to Concepts Before Class Begins!

With all the outside obligations accounting students have, finding time to read the textbook before class can be a struggle. Point students to the key concepts they need to know before they attend class.

Video: Animated Activities

Animated Activities are engaging animated scenarios that visually guide students through selected core topics in introductory accounting. Each activity uses a realistic company example to illustrate how the concepts relate to the everyday activities of a business. These activities include multiple-choice questions that gauge student understanding of the overarching chapter concepts.



	February 26, 2016	February 27, 2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,283,567	\$ 1,096,100
Short-term investment securities	605,828	431,474
Merchandise inventories	1,968,907	1,759,703
Other current assets	315,736	276,066
Total current assets	4,273,838	3,563,343
Long-term investment securities	121,440	132,860
Property and equipment, net	1,116,297	1,119,292
Other assets	334,612	336,633
Total assets	\$ 5,846,193	\$ 5,152,130

Animated Activities are assignable/gradable in CengageNOWv2 and available for self-study and review.

Prepaid Insurance

- The debit balance of \$2,400 in NetSolutions' prepaid insurance account represents the December 1 prepayment of insurance for 12 months.

Dec. 31	Insurance Expense	55	200	200
	Prepaid Insurance	15		200
	Insurance expired (\$2,400 ÷ 12).			

Accounting Equation Impact

Assets		=	Liabilities	+	Owner's Equity (Expense)
Prepaid Insurance	15				Insurance Expense
Dec. 31	200				Dec. 31
Bal.	2,400				
Adj. Bal.	2,200				

↓ decrease ↑ increase

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Tell Me More lecture activities for every Learning Objective are assignable/gradable in CengageNOWv2 and available for self-study and review.

Video: Tell Me More

NEW!

Tell Me More lecture activities explain the core concepts of the chapter through an engaging auditory and visual presentation that is ideal for all class formats—flipped model, online, hybrid, face-to-face.

MOTIVATION

Before Class Begins!

Students don't want to waste time going over concepts that they have already mastered. With the NEW Adaptive Study Plan, they can focus on learning new topics and fully understanding difficult concepts.



Adaptive Study Plan **NEW!**

The Adaptive Study Plan in CengageNOWv2 is an assignable/gradable study center that adapts to each student's unique needs and provides a remediation pathway to keep students progressing.

The Adaptive Study Plan is assignable/gradable in CengageNOWv2 and available for self-study and review.



How does it work?

Step 1: Students take a chapter-level quiz consisting of randomized questions that cover both conceptual and procedural aspects of the chapter.

Step 2: Feedback is provided for each answer option explaining why the answer is right or wrong.

Step 3: Based on the quiz results, students are provided a remediation path that includes media assets and algorithmic practice problems to help them improve their understanding of the course material.

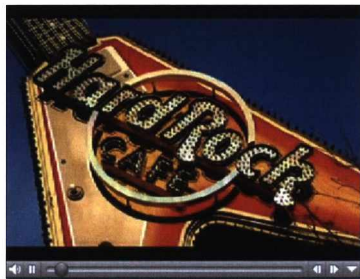
Instructors may use prerequisites that require students to achieve mastery in the Adaptive Study Plan before moving on to new material.

The new Adaptive Study Plan offers the benefit of customization coupled with remediation.

*— Jennifer Schneider, professor at
University of North Georgia*

Make Content Relatable!

Show students how the material they are learning matters in real life and help them connect accounting concepts to the world around them.



Experience Managerial Accounting Videos are assignable/gradable in CengageNOWv2 and available for self-study and review.

Pathways Commission "THIS is accounting!" **NEW!**

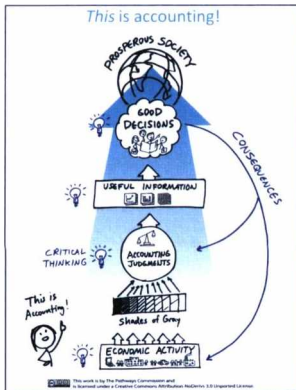
Pathways Commission "THIS is accounting!" illustrates what students should understand as a result of their first exposure to accounting. Incorporated into Chapter 1, this graphic gives students a big picture view of how accounting can lead to a prosperous society.

Service Focus **NEW!**

Service Focus features highlight the differences between manufacturing companies and service companies and illustrate how managerial accounting concepts apply to service companies such as The Walt Disney Company and Sierra Nevada.

Video: Experience Managerial Accounting

Experience Managerial Accounting Videos, available in CengageNOWv2, show students how progressive companies such as Cold Stone Creamery, Second City, and Hard Rock Café incorporate managerial accounting to fuel better business performance.



Source: Charting a National Strategy for the Next Generation of Accountants, The Pathways Commission, July 2012.

Service Focus

PROFIT, LOSS, AND BREAK-EVEN IN MAJOR LEAGUE BASEBALL

Major League Baseball is a tough game and a tough business. Ticket prices (unit selling price), player salaries (variable costs), stadium fees (fixed costs), and attendance (volume) converge to make it difficult for teams to make a profit, or at least break even. So, which major league baseball team was the most profitable in 2013? Well, it wasn't the World Champion Boston Red Sox. Nor was it the star-studded New York Yankees. Then, it had to be the recently turned-around Los Angeles Angels, right? Not even close. It was actually the worst team in baseball—the Houston Astros.

Just how profitable were the Astros? They earned \$99 million in 2013, which was more than the combined 2013 profits of the six most recent World Series champions. How could the team with the worst record in baseball since 2005

have one of the most profitable years in baseball history? By paying careful attention to costs and volume. Between 2011 and 2013, the Astros cut their player payroll from \$56 million to less than \$13 million. That's right, all of the players on the Houston Astros baseball team combined, made less in 2013 than Alex Rodriguez (New York Yankees), Cliff Lee (Philadelphia Phillies), Prince Fielder (Detroit Tigers), and Tim Lincecum (San Francisco Giants) made individually. While attendance at Astros games has dropped by around 20% since 2011, the cost reductions from reduced player salaries have far outpaced the drop in attendance, making the 2013 Astros the most profitable team in baseball history. While no one likes losing baseball games, the Houston Astros have shown that focusing on the relationship between cost and volume can yield a hefty profit, even when they aren't winning.

Source: D. Alexander, "2013 Houston Astros: Baseball's Worst Team Is The Most Profitable In History," Forbes, August 26, 2013.

Homework and Exam Performance!



Good tool to make students understand concepts without overly relying on technology's help.

— Ramesh Narasimhan, professor
at Montclair State University

I like it because it appears to bridge the gap between the homework and my exam.

— Lawrence Chui, professor
at University of St. Thomas

This will minimize students' complaints about how the exam looks different from the homework format.

— Rama Ramamurthy, professor
at Georgetown University

Many students perform well on homework but struggle when it comes to exams. Now, with the new Blank Sheet of Paper Experience, students must problem-solve on their own, just as they would if taking a test on a blank sheet of paper.

Blank Sheet of Paper Experience **NEW!**

A less-leading Blank Sheet of Paper Experience discourages overreliance on the system.

- The use of drop down menus and Smart Entry (type-ahead) has been eliminated.
- Students must refer to the Chart of Accounts and decide for themselves what account is impacted.
- The number of accounts in each transactions is not given away.
- Whether the account should be debited or credited is not given away.
- Transactions may be entered in any order (as long as the entries are correct).
- Check My Work feedback only reports on what students have actually attempted, which prevents students from "guessing" their way through the assignment.

Chart of Accounts

General Ledger

ASSETS	REVENUE
11 Cash	41 Fees Earned
12 Accounts Receivable	42 Rent Revenue
13 Supplies	
14 Prepaid Insurance	EXPENSES
15 Office Equipment	51 Supplies Expense
16 Accumulated Depreciation	52 Salary Expense
	53 Depreciation Expense
	57 Insurance Expense
	58 Miscellaneous Expense
LIABILITIES	
21 Accounts Payable	
22 Note Payable	
23 Salaries Payable	
EQUITY	
31 Lisa Gorch: Capital	
32 Lisa Gorch: Drawing	

Journal

Record the transactions for July 11 and 15 on page 2 of the journal, referring to the chart of accounts in selecting the accounts to be debited and credited.

PAGE 1 PAGE 2

DATE	DESCRIPTION	POST REF	DEBIT	CREDIT
JUL 11	Office Equipment		10,000.00	
	Note Payable			8,000.00
	Cash			2,000.00

Check it out! Visit cnnow2demo.cengage.com for an interactive demo.