

HORNGREN'S 10 CANADIAN EDITION ACCOUNTING VOLUME ONE







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HORNGREN'S 10 CANADIAN EDITION ACCOUNTING

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VOLUME ONE



Toronto



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In memory of Charles T. Horngren 1926–2011

Whose vast contributions to the teaching and learning of accounting impacted and will continue to impact generations of accounting students and professionals.

I would like to thank my students for keeping me on my toes. Hearing their new ideas and how they think about accounting makes teaching such a wonderful job.

Carol A. Meissner

I would like to thank my husband, Bill, and my family for their encouragement and support.

Jo-Ann L. Johnston

I would like to thank my wife, Helen, and my family very much for their support and encouragement.

Peter R. Norwood









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ABOUT THE AUTHORS

TRACIE L. MILLER-NOBLES, CPA, received her bachelor's and master's degrees in accounting from Texas A&M University. She is an associate professor at Austin Community College. Previously she served as a senior lecturer at Texas State University, San Marcos, Texas, and has served as department chair of the Accounting, Business, Computer Information Systems, and Marketing/Management Department at Aims Community College, Greeley, Colorado. In addition, Tracie has taught as an adjunct professor at University of Texas and has public accounting experience with Deloitte Tax LLP and Sample & Bailey, CPAs.

Tracie is a recipient of the Texas Society of CPAs Outstanding Accounting Educator Award, NISOD Teaching Excellence Award, and the Aims Community College Excellence in Teaching Award. She is a member of the Teachers of Accounting at Two Year Colleges, the American Accounting Association, the American Institute of Certified Public Accountants, and the Texas State Society of Certified Public Accountants. She is currently serving on the board of directors as secretary/webmaster of Teachers of Accounting at Two Year Colleges, as chair of the American Institute of Certified Public Accountants Pre-certification Executive Education committee, and as program chair for the Teaching, Learning and Curriculum section of the American Accounting Association. In addition, Tracie served on the Commission on Accounting Higher Education: Pathways to a Profession.

Tracie has spoken on such topics as using technology in the classroom, motivating nonbusiness majors to learn accounting, and incorporating active learning in the classroom at numerous conferences. In her spare time she enjoys spending time with her friends and family, and camping, fishing, and quilting.

BRENDA L. MATTISON has a bachelor's degree in education and a master's degree in accounting, both from Clemson University. She is currently an accounting instructor at Tri-County Technical College (TCTC) in Pendleton, South Carolina. Brenda previously served as Accounting Program Coordinator at TCTC and has prior experience teaching accounting at Robeson Community College, Lumberton, North Carolina; University of South Carolina Upstate, Spartanburg, South Carolina; and Rasmussen Business College, Eagan, Minnesota. She also has accounting work experience in retail and manufacturing businesses.

Brenda is a member of Teachers of Accounting at Two Year Colleges and the American Accounting Association. She is currently serving on the board of directors as vice-president of registration of Teachers of Accounting at Two Year Colleges.

Brenda engages in the scholarship of teaching and learning (SOTL). While serving as Faculty Fellow at TCTC, her research project was Using Applied Linguistics in Teaching Accounting, the Language of Business. Brenda has presented her research findings. Other presentations include using active learning and manipulatives, such as building blocks and poker chips, in teaching accounting concepts.

In her spare time, Brenda enjoys reading and spending time with her family, especially touring the United States in their motorhome. She is also an active volunteer in the community, serving her church, local Girl Scouts, and other organizations.

ELLA MAE MATSUMURA is a professor in the Department of Accounting and Information Systems in the School of Business at the University of Wisconsin-Madison, and is affiliated with the university's Center for Quick Response Manufacturing. She received a Bachelor of Arts degree in mathematics from the University of California, Berkeley, and a Master of Science and PhD degree from the University of British Columbia. Ella Mae has won two teaching excellence awards at the University of Wisconsin-Madison and was elected as a lifetime fellow of the university's Teaching Academy, formed to promote effective teaching. She is a member of the university team awarded an IBM Total Quality Management Partnership grant to develop curriculum for total quality management education.

Ella Mae was a co-winner of the 2010 Notable Contributions to Management Accounting Literature Award. She has served in numerous leadership positions in the American Accounting Association (AAA). She was co-editor of *Accounting Horizons* and has chaired and served on numerous AAA committees. She has been secretary—treasurer and president of the AAA's Management Accounting Section. Her past and current research articles focus on decision making, performance evaluation, compensation, supply chain relationships, and sustainability. She co-authored a monograph on customer profitability analysis in credit unions.

CAROL A. MEISSNER is a professor in both the School of Business and the Automotive Business School of Canada at Georgian College in Barrie, Ontario. She teaches in the Accounting Diploma,

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Automotive Business Diploma, and Bachelor of Business (Automotive Management) programs. Her favourite courses are introductory financial accounting and dealership financial statement analysis.

In 2014, Carol was awarded the Georgian College Board of Governors' Award of Excellence Academic for outstanding contributions to the college and an ongoing commitment to excellence.

Carol has broad experience in curriculum development. She has been a curriculum chair, program coordinator, member of several curriculum committees, and has been involved in writing and renewing degree, diploma, and graduate certificate programs. She is currently helping to launch the new Automotive Dealership Management graduate certificate program for automotive industry executives.

A self-professed "learning junkie," Carol holds a Bachelor of Commerce degree, a Master of Business Administration degree, a Master of Arts degree in Education (Community College concentration), and a CPA designation. She has also earned Georgian College's Professional Development Teaching Practice Credential and is a graduate of Georgian's Aspiring Leaders program. She is a regular attendee at conferences related to teaching, accounting, and the automotive industry.

Carol has always been a teacher. She started as a part-time college instructor when she completed her first degree and has taught full time since 2005. Her "real world" experience includes car dealership controllership and self-employment as a part-time controller and consultant for a wide variety of businesses. Carol recently worked on several online projects for publishers and OMVIC as a subject matter expert. She is a trustee for OPSEU Local 35 and a member of the Secretary Treasurers Association of Ontario.

JO-ANN JOHNSTON is an instructor in the Accounting, Finance and Insurance Department at the British Columbia Institute of Technology (BCIT). She obtained her Diploma of Technology

in Financial Management from BCIT, her Bachelor in Administrative Studies degree from British Columbia Open University, and her Master of Business Administration degree from Simon Fraser University. She is also a certified general accountant and completed the Canadian securities course.

Prior to entering the field of education, Jo-Ann worked in public practice and industry for over 10 years. She is a past member of the board of governors of the Certified General Accountants Association of British Columbia and has served on various committees for the association. She was also a member of the board of directors for the BCIT Faculty and Staff Association, and served as treasurer during that tenure.

In addition to teaching duties and committee work for BCIT, Jo-Ann is the financial officer for a family-owned business.

PETER R. NORWOOD is an instructor in accounting and coordinator of the Accounting program at Langara College in Vancouver. A graduate of the University of Alberta, he received his Master of Business Administration from the University of Western Ontario. He is a CPA, a fellow of the Institute of Chartered Accountants of British Columbia, a certified management accountant, and a fellow of the Society of Management Accountants of Canada.

Before entering the academic community, Peter worked in public practice and industry for over 15 years. He is a past president of the Institute of Chartered Accountants of British Columbia and chair of the Chartered Accountants School of Business (CASB). He is also the chair of the Chartered Accountants Education Foundation for the British Columbia Institute of Chartered Accountants and has been active on many provincial and national committees, including the Board of Evaluators of the Canadian Institute of Chartered Accountants. Peter is also a sessional lecturer in the Sauder School of Business at the University of British Columbia.











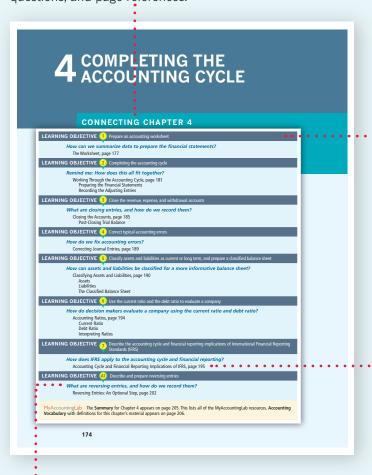




HORNGREN'S ACCOUNTING ... REDEFINING TRADITION

MAKING CONNECTIONS

CONNECTING CHAPTER boxes appear at the beginning of each chapter. These features combine the chapter outline with the learning objectives, key questions, and page references.



LEARNING OBJECTIVES provide a roadmap • showing what will be covered and what is especially important in each chapter.

PAGE REFERENCES give students the ability to quickly connect to the topic they are seeking within the chapter.

KEY QUESTIONS are questions about the important concepts in the chapter, expressed in everyday language.





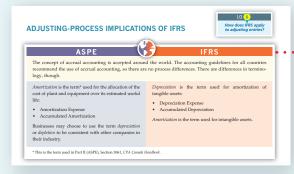
CHAPTER OPENERS set up the concepts to be covered in the chapter using stories students can relate to. They show why the topics in the chapter are important in the business world. These vignettes are now 100 percent Canadian content.

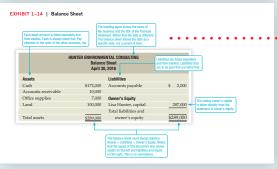
NEW

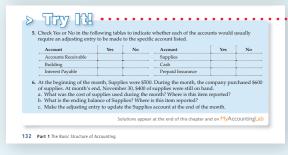
INSTRUCTOR TIPS RIGHT IN THE CHAPTER

Found throughout the text, these handwritten notes mimic the experience of having an experienced teacher walk a student through concepts on the board. Many include mnemonic devices or examples to help students remember the rules of accounting.









The state of the s

awartha Dairy Limited is a 100% Canadian-owned ice cream and dairy process located in Bobosyspen, Ontaino, and still operated by the same family that start is thack in 1937. As a business, is a different from many in the flood indicatly because the start of the still of the start of the sta

A firm like this has a huge investment in assets. Kawartha Dairy owns buildings, land, production equipment, and office furniture that it uses to run the business. It also has a fleet of trucks to deliver its goods to its own retail outlets, independent specialty shops, process and institutional customers.

How does the company record the purchase of these trucks in their accounting records? Do they expense them or set them up as assets? Because they help the company

How should Kawartha Dairy account for the use of the trucks? They record amortize tion over each truck's useful life. Managers estimate how long they can use the truck an how much they can sell it for when it is taken out of service. They don't amortize this lar amount because they get it back when they sell the truck or trade it in for a new one.

Because most companies keep assets for as 5 ning as they can, they also need to mak repairs and maintain the trucks. How do you decide when work done on the truck is pa of the cost or crosifiered a repair? Professional judgment is just as important in the decisions as are the generally accepted accounting principles. Managers at Kawartha an other cromanies need to know how to account for these assets.

This chapter cowers these and other matters about property, plant, and equipme the long-term tangible assets that a business uses to operate, such as aiplanes for a Canada and automobiles for Discount Car and Truck Rentals. It also looks at intangible those assets with no physical form, such as trademarks and copyrights, and finally, it better the best to present the real and the property of the

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NEW

• IFRS/ASPE COMPARISON Each applicable chapter ends with a table comparing how concepts in that chapter are dealt with for those using IFRS and ASPE.

NEW

• ANNOTATED EXHIBITS More annotated exhibits have been developed for this edition to improve clarity and reduce related explanations in the text.

NEW

TRY IT! BOXES Found at the end of each learning objective section in the text, Try It! features (formerly Just Checking) give students the opportunity to apply the concepts they just learned to an accounting problem. For this edition, care was taken to streamline this feature to include fewer questions to avoid interrupting the flow of student learning. Deep linking in the eText will allow students to practise in MyAccountingLab without interrupting their interaction with the eText. Try It! Solutions are provided at the end of each chapter.

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REVISED WHY IT'S DONE THIS WAY BOXES

Descriptions in these boxes have been shortened to focus on the key new points in the chapter, without referencing levels. For instructors who want longer and more technical notes, these are included in the instructor's material.

REVISED END-OF-CHAPTER MATERIAL

The number of Starters and Exercises provided in each chapter has been increased, while maintaining both A and B Problem sets.

All learning objectives now have consistent coverage in end-of-chapter questions.

There is now more variety of questions provided.

ENGAGING REDESIGN The redesign of this text throughout includes clean and consistent art for T-accounts, journal entries, financial statements, and the accounting equation.

New art types include clear explanations and connection arrows to help students follow the transaction process. Illustrations are updated to be more modern and clean.

Margins have been decluttered, ensuring a smoother, more open and approachable look, while keeping the most important content visible.

Closing entry 3 would then credit Income Summary to close its debit balance and transfer the net loss to Lisa Hunter, Capital: 1,000 3 May 31 Lisa Hunter, Capital 1,000 Income Summary To close the Income Summary account and transfer net loss to the Capital account. After posting, these two accounts would appear as follows: **Income Summary** Lisa Hunter, Capital Clo. 2 27,500 Clo. 3 1,000 120,100 Clo. 1 26,500 Bal. 1,000 Bal. 119,100 Clo. 3 1,000

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Changes to the Tenth Canadian Edition

Additional Starters and Exercises have been added to *all* chapters in Volume 1. Instructors wanted more of these types of questions and more variety in the questions, so the Tenth Canadian Edition has been updated to reflect this.

Chapter 1—Accounting and the Business Environment

- Chapter 1 has been completely reworked and refreshed. The explanation of accounts has been moved from Chapter 2, thus removing duplication and ensuring students have all the information they need to create financial statements.
- Updates to this chapter include information reflecting the changing professional landscape of accountants in Canada, and the history of accounting material has been removed.
- Annotated exhibits for the balance sheet and income statement have been provided to strengthen explanations of the financial statements.

Chapter 2—Recording Business Transactions

- The introduction of the accounting cycle has been moved from Chapter 4 to the start of this chapter because this is where the topic is first introduced.
- The demonstration of posting to a T-account is now covered before introducing a more formal ledger account.
- Exhibits relating to the rules of debits and credits have been improved.
- The explanation of journal entries and calculating the balance of a T-account has been improved with new annotated exhibits.

Chapter 3—Measuring Business Income: The Adjusting Process

- The discussion on cash-basis versus accrual-basis accounting has been reduced since instructors told us that the accrual basis needed to be the focus of the lesson. We moved some cash-basis information to MyAccountingLab for those instructors who still want to cover this topic in more detail.
- There is an expanded alternative presentation example of property, plant, and equipment (where we show rather than tell).
- Again because of instructor requests, we added an additional example of partial pay periods to support student learning of a very difficult concept.
- The flow of the chapter has been improved by moving the order of adjusting entry topics so that they are in the same order as presented in the exhibit.
- The learning objective about using the worksheet to prepare the adjusted trial balance has been removed to make it easier for some schools to skip the topic of worksheets.

Chapter 4—Completing the Accounting Cycle

- Duplicate information about worksheets and the accounting cycle has been removed.
- The complexity of the classified balance sheet example has been reduced.

Chapter 5—Merchandising Operations

- The summary problem has been updated to cover more of the key learning objectives. The Ninth Canadian Edition solved problem, which included a merchandiser's worksheet and closing entries, has been moved to MyAccountingLab, so it is still available for those instructors who teach those topics.
- The information about sales taxes, which was included as Appendix C to this chapter, has been moved to Chapter 11 (Current Liabilities) to remove the additional complexity this adds to the chapter and avoid duplication of topics in the book.

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Chapter 6—Accounting for Merchandise Inventory

• The main change to this chapter is the removal of the learning objective, chapter section, and problem material related to the assessment of the impact of IFRS on inventory recording and reporting.

Chapter 7—Accounting Information Systems

- The learning objective that covered special journals with sales taxes (Learning Objective 6 in the Ninth Canadian Edition) has been moved to MyAccountingLab to reduce complexity, since sales taxes are not covered in detail until Chapter 11. Instructors who cover this topic still have the information they need.
- Information has been added on the use of new technology and security, such as the cloud.

Chapter 8—Internal Control and Cash

- All of the internal control information has been merged into one learning objective to streamline the content and reduce duplication.
- The Sarbanes-Oxley Act (SOX) discussion has been updated to include the Frank Dodd Act.

Chapter 9—Receivables

- Duplication of statement presentation information has been removed.
- Online payments have been added to keep the text material current.
- Internal control topics have been removed to keep the chapter focus on the most important topics in the chapter.
- Annotated T-account explanations about how to calculate the Allowance for Doubtful Accounts balance have been added to clarify a difficult topic for students.

Chapter 10—Property, Plant, and Equipment; and Goodwill and Intangible Assets

- The discussions of "construction in progress" and internal control have been removed to focus on key chapter concepts.
- The discussion about operating leases has been removed because this topic is covered in Volume 2.

Chapter 11—Current Liabilities and Payroll

- In order to reduce duplication, information about the presentation of liabilities has been consolidated.
- Payroll and sales tax rates have been updated for consistency with legislation at the time of writing.
- The concept of crowdfunding has been introduced to keep the text current.
- Internal control topics have been removed to keep the chapter focus on the most important topics in the chapter.
- The flow of recording payroll journal entries has been reworked to reduce duplication and improve clarity.







Student and Instructor Resources

The primary goal of the supplements that accompany *Horngren's Accounting*, Tenth Canadian Edition, is to help instructors deliver their course with ease using any delivery method—traditional, self-paced, or online—and for students to learn and practise accounting in a variety of ways that meet their learning needs and study preferences.

MyAccounting**Lab**

MyAccountingLab delivers proven results in helping individual students succeed. It provides engaging experiences that personalize, stimulate, and measure learning for each student, including a personalized study plan, mini-cases, and videos. MyAccountingLab is the portal to an array of learning tools for all learning styles—algorithmic practice questions with guided solutions are only the beginning!

For Students

The following features are **NEW** to MyAccountingLab for the Tenth Canadian Edition:



Assignable Accounting Cycle Tutorial—MyAccountingLab's new interactive tutorial helps students master the accounting cycle for early and continued success in the introduction to accounting course. The tutorial, accessed by computer, smartphone, or tablet, provides students with brief explanations of each concept of the accounting cycle through engaging videos and/or animations. Students are immediately assessed on their understanding, and their performance is recorded in the MyAccountingLab gradebook. Whether the Accounting Cycle Tutorial is used as a remediation self-study tool or course assignment, students have yet another resource within MyAccountingLab to help them be successful with the accounting cycle.



Enhanced Pearson eText—The Enhanced eText keeps students engaged in learning on their own time, while helping them achieve greater conceptual understanding of course material. The worked examples bring learning to life, and algorithmic practice allows students to apply the concepts they are reading about. Combining resources that illuminate content with accessible self-assessment, MyAccountingLab with Enhanced eText provides students with a complete digital learning experience—all in one place.



Dynamic Study Modules—Canadian study modules allow students to work through groups of questions and check their understanding of foundational accounting topics. As students work through questions, the Dynamic Study Modules assess their knowledge and only show questions that still require practice. Fully Assignable, flowing through the Gradebook, or Self-Directed Dynamic Study Modules can be completed online using a computer, tablet, or mobile device.





Learning Catalytics—A "bring your own device" assessment and classroom activity system that expands the possibilities for student engagement. Using Learning Catalytics, you can deliver a wide range of auto-gradable or open-ended questions that test content knowledge and build critical thinking skills. Eighteen different answer types provide great flexibility, including graphical, numerical, textual input, and more.



Audio Lecture Videos—These pre-class learning aids are available for every learning objective and are professor-narrated PowerPoint summaries that will help students prepare for class. These can be used in an online or flipped classroom experience or simply to get students ready for the lecture.



Adapative Assessment—Integrated directly into the MyAccountingLab Study Plan, Pearson's adaptive assessment is the latest technology for individualized learning and mastery. As students work through each question, they are provided with a custom learning path tailored specifically to the concepts they need to practise and master.



In addition, students will find the following assets to help improve their learning experience:

- Help Me Solve This Guides
- Worked Solutions
- Videos
- DemoDocs
- Check Figures
- Student PowerPoint Presentations
- Audio Chapter Summaries
- Accounting Cycle Tutorial Animations
- Excel Spreadsheet Templates
- General Ledger (NEW!)
- Open-Response Questions (NEW!)

For Instructors

The following resources are available for Instructors at the Instructor's Resource Centre on the catalogue, at catalogue.pearsoned.ca:

- **Instructor's Solutions Manual.** This manual provides instructors with a complete set of solutions to all the end-of-chapter material in the text. Available in both Word and PDF formats.
- Computerized Testbank. The Testbank for *Horngren's Accounting* offers a comprehensive suite of tools for testing and assessment. TestGen allows educators to easily create and distribute tests for their courses, either by printing and distributing through traditional methods or by online delivery. The more than 100 questions per chapter can be sorted by the chapter's Learning Objectives, difficulty ranking, Bloom's Taxonomy, and—new to this edition—applicable Canadian Professional Accounting Standards. Types of questions included are Multiple Choice, True/False, Short Answer, and Essay. One NEW Essay question has been created for each chapter, building on cumulative learning across all previous chapters.
- Test Item File. All the test questions from the TestGen testbank are available in Microsoft Word format.
- Instructor's Teaching Tips in Digital eText Resource: Instructors can easily locate useful teaching tips and resources throughout the eText, which is annotated by apple icons throughout the chapters. This eText is located in MyAccountingLab.

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- PowerPoint Presentations. Prepared for each chapter of the text, these presentations offer helpful graphics that illustrate key figures and concepts from the text
- **Image Library.** We are pleased to provide the exhibits from the text in .jpg format for use in the classroom or for building your own lectures or PowerPoint presentations.

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Our task is to provide educational material in the area of accounting to instructors and students to aid in the understanding of this subject area. We welcome your suggestions and comments on how to serve you better.



