

Contents

1	Elements of Financial Statements	4
1.1	Role of Accounting in Society	4
1.2	Types of Activities Performed by Business Organizations.....	5
1.3	Users of Accounting Information.....	6
1.4	Elements of Financial Statements	6
1.5	Accounting Equation.....	9
1.6	Recording Business Events under the Accounting Equation	11
1.6.1	Transaction Analysis.....	12
1.7	Preparing Financial Statements.....	15
1.7.1	Income Statement.....	17
1.7.2	Statement of Changes in Stockholders' Equity	17
1.7.3	Balance Sheet.....	18
1.7.4	Statement of Cash Flows.....	19
1.7.5	The Horizontal Financial Statements Model.....	21
2	Accounting for Accruals	37
2.1	Accrual Accounting	37
2.1.1	Adjustments for accrued items	38
3	Accounting for Deferrals	58
3.1	Accounting for deferrals	58
3.2	Adjustments for Deferred Items.....	63
4	The Double-Entry Accounting System	89
4.1	Debit/Credit Terminology	89
4.2	Recording Changes in Assets, Liabilities and Stockholders' Equity	90
4.2.1	Asset Source transactions.....	91
4.2.2	Asset Exchange Transactions.....	94
4.2.3	Asset Use Transaction.....	97
4.2.4	Claims Exchange Transactions	99
4.2.5	Adjusting the Accounts	100
4.2.6	The Ledger	106
4.2.7	The General Journal	108
4.2.8	Financial Statements	109
4.2.9	Closing Entries	111
4.2.10	Trial Balance	111
	Glossary.....	164
	References.....	171