

# INDEX

## A

- Abelson, R., 9n20
- Abrams, Jim, 519n2
- Accelerated depreciation, 329
- Accommodation endorsements, 413
- Accounting
- accounting in U.S. since 1930, 5–6
  - American Institute of Certified Public Accountants creation, 6
  - business corporation evolution, 3
  - Committee on Accounting Procedure and, 6–7
  - double-entry bookkeeping, 2
  - early accounting organizations, 4
  - early history of accounting, 2–4
  - early progressive reforms and, 3
  - early Romans and, 2
  - establishment of accounting profession, 4
  - FASB's accounting standards codification, 11–13
  - Financial Accounting Standards Board establishment, 9–14
  - generally accepted accounting principles evolution, 16–18
  - Great Depression and, 5
  - Industrial Revolution and, 3
  - international accounting standards evolution, 26
  - normative theories, 1
  - positive theories, 1
  - role of ethics in, 22
  - Securities and Exchange Commission creation, 5
  - Statement of Accounting Principles*, 6
  - statements of balances, 3
  - statements of profit and loss, 3
  - theory defined, 1
  - World War I and, 4
- Accounting changes, income statement and, 219–222
- Accounting data
- agency theory and, 137–139
  - behavioral finance and, 126–133
  - capital asset pricing model and, 133–136
  - critical perspective research and, 140–142
  - efficient market hypothesis and, 122–126
  - fundamental analysis and, 121–122
  - human information processing and, 139–140
  - implications of efficient market research and, 126
  - normative vs. positive accounting theory, 136
- The Accounting Establishment*, 658, 658n42
- Accounting estimate changes, 221
- Accounting mismatch, 431
- Accounting policies, footnotes and, 629–630
- Accounting principle changes, 220–221
- Accounting Principles Board (APB), 7–8
- building equity in property and, 482
  - classifying as a purchase, 482
  - code of professional ethics and, 8
  - Committee on Accounting Procedure and, 33
  - formation of, 7
  - income statement elements and, 208–210
  - independence of members of, 8
  - investment tax credit and, 8
  - Opinion No. 14*, convertible debt, 408, 562
  - Opinion No. 10*, 1996 omnibus opinion, 257
  - Opinion No. 12*, 1967 omnibus opinion, 408
  - Opinion No. 20*, on accounting changes, 220, 332
  - Opinion No. 8*, on accounting for cost of pension plans, 520–524, 526, 527, 528
  - Opinion No. 7*, on accounting for leases, 479
  - Opinion No. 25*, on accounting for stock, 558–559
  - Opinion No. 6*, on accounting research bulletins, 405, 564, 603
  - Opinion No. 16*, on business combinations, 577
  - Opinion No. 22*, on disclosure of accounting policies, 629
  - Opinion No. 31*, on disclosure of lease transactions, 479
  - Opinion No. 26*, on early extinguishment of debt, 405
  - Opinion No. 15*, on earnings per share, 183, 223–224, 227
  - Opinion No. 3*, on fund statements, 269–270
  - Opinion No. 19*, on fund statements, 269–270
  - Opinion No. 11*, on income taxes, 443, 446, 448, 452, 455
  - Opinion No. 21*, on interest, 306, 403, 404, 411, 412, 483, 485
  - Opinion No. 28*, on interim financial reporting, 638
  - Opinion No. 18*, on investment accounting, 183, 349, 350, 596
  - Opinion No. 2*, on investment credit, 7–8
  - Opinion No. 27*, on lease transactions by manufacturers or dealer lessors, 479
  - Opinion No. 29*, on nonmonetary transactions, 324
  - Opinion No. 30*, on operating reporting, 213, 214n7, 218, 331, 596
  - Opinion No. 9*, on operations reporting, 210–211, 213, 217, 218, 223, 230
  - Opinion No. 5*, on reporting of leases, 478, 479, 482, 483
  - response time and, 8
  - Statement No. 4*, on accounting principle, 35, 119, 396, 397, 413
  - structure of, 8
- Accounting Principles Board creation, 7–8, 33–35
- Committee on Accounting Procedure, 6–7
  - creation of, 7
  - Objectives of Financial Statements*, 37n39
- Accounting Research Bulletins (ARB)*, 7, 8
- No. 23, 443
  - No. 30, 294
  - No. 38, 478
  - No. 43, 295, 304n19, 405, 452, 596
  - No. 47, 520
  - No. 51, 349, 583, 584
- Accounting Research Studies (ARS)*
- No. 3, on accounting principles, 35
  - No. 7, on GAAP, 183
  - No. 1, on postulates of accounting, 33–35
- Accounting Series Release (ASR)*
- No. 1, 5
  - No. 163, capitalization of interest by companies other than utilities, 323n1
  - No. 4, on private sector and accounting principles, 5, 6
  - No. 148, on short-term borrowing, 296
  - No. 190, price-level information, 632
- Accounting Terminology Bulletin No. 1*, 7, 249n3, 327n10
- Accounts payable turnover ratio, 313–314
- Accounts receivable turnover ratio, 310
- Accrued benefit valuation method, 537
- Accrued interest, bonds and, 403
- Accumulated benefits approach, pension benefits and, 520
- Accumulated benefits obligation, pension benefits and, 520

- Accumulated other comprehensive income, 229
- Acid test (quick) ratio, 308
- Acquisition accounting, creative, 193
- Acquisition method, business combinations and, 579–582
- Actuarial gains and losses, pension benefits and, 521, 526
- Actuarial present value of accumulated benefits with salary progression, 524
- Additional paid-in capital, 554
- Adverse option, auditor's report and, 634
- Affirmative judgment approach to deferred tax assets, 457
- Agency theory, 137–139
  - adverse selection problem, 137
  - agency costs and, 138
  - basic assumption of, 137
  - conflict of interest and, 138
  - diverse interests and, 139
  - moral hazard problem, 137
  - political processes and, 138
  - private-sector and federal regulations and, 138
- Agenda consultation initiative, 20–21
- Aggregate fair value, 358
- Aggressive accounting, 194
- Airline revenue recognition process, 163n18
- Alexander, Sidney S., 154n2
- All-financial-resources concept, 270
- All-inclusive concept, income statement and, 210
- Allowed alternative treatment, intangible assets and, 381
- Alternative treatments, international accounting standards and, 82
- Ameen, Philip, 553n20
- American Accounting Association (AAA), 5, 32, 38–39
- American Accounting Association Committee on Realization, 161
- American Assembly, 63, 64n81
- American Association of Public Accountants (AAPA), 4
- American Association of the University Instructors in Accounting (AAUIA), 4
- American Express, 192, 518
- American Institute of Accountants (AIA), 4, 32
- American Recovery and Reinvestment Act of 2009, 117
- Amortization
  - capital leases and, 483
  - debt securities and, 355
  - intangible assets and, 366–368
  - prior service costs and, 533
- Analysts' reports, 644–645
  - booster shots and, 645
  - built-in conflicts of interest and, 644
  - buy side and, 644
  - financial analysis categories, 644
  - fundamental analysis and, 644
  - independent, 644
  - lock-up agreements and, 645
  - sell side and, 644
- Anderson Report, 659
- Andrejczak, M., 519n4
- Announcement-based effects, 128
- Arbitrage, 131, 131n46
- Arena, Claudia, 184n44
- Arrington, C. Edward, 140n62
- Arthur Andersen, 24, 648, 662
- Asset(s)
  - current assets, 253–254, 296–305
  - definition of, 248
  - donated, 325
  - investments and, 254–255
  - matching concept and, 180
  - measurement basis and, 256
  - other assets, 256
  - property, plant, and equipment and intangibles, 255
  - removal of existing, 323
  - retirement, 333–335
  - self-constructed, 322–323
  - transfer of, 364–365
  - valuation of, 256
- Asset-liability method of income tax allocation, 453–454
- Asset retirement cost, 333
- Asset retirement obligation, 333–335
- Asset-turnover ratio (ATR), 267
- ASU 2011-05, 229
- ASU 2018-02, 465–466
- ASU 2018-20, 500
- ASU 2019-12, 461
- Audit committee, 633n16
- Auditor's report, 632–638
  - adverse opinion and, 635
  - disclaimer of opinion and, 635
  - going concern opinion and, 636–638
  - qualified opinion and, 635
  - report on internal control and, 635
  - sections of, 633
- Audits, fraudulent influence on, 651
- Authoritative literature, 65
- Available-for-sale debt securities, 356
- Averaging techniques, inventories and, 304
- B**
- Bad debts, 300–301, 425
- Badger, E., 118n7
- Bahnsen, Paul R., 100n25
- Balance sheet, 247–248
  - assets and, 253–256
  - asset valuation and, 256
  - common stock and, 258
  - current assets and, 253–254
  - current liabilities and, 256–257
  - element classification and, 250
  - elements of, 248–253
  - equity and, 258–259
  - evaluating financial position and, 266–268
  - presentation and related disclosures, 462
  - retained earnings and other comprehensive income, 250–251
  - treasury stock and, 258
- Ball, Raymond J., 40n44, 126n28, 159n11
- Bankruptcy, 195, 311
- Barberis, N., 131n45
- Barton, Thomas, 559n25
- Basic EPS, 225
- Basic financial statements, 627–630
- Basic Postulates of Accounting*, 33–34
- Basic research, 374
- Basic v. Levinson*, 49
- Basu, S., 127n33, 147n87
- Bayes' theorem, 130n43
- Beams, Floyd A., 589n19
- Beaver, W. H., 536n10
- Beaver, William H., 142, 142n70, 147n85
- Bedford, Norton M., 155n3
- Behavioral accounting research (BAR), 121
- Behavioral approach, research methodology and, 120
- Behavioral finance, 126–133
- Being public, 646
- Bell, P. W., 156n6
- Benchmark treatments
  - intangible assets and, 381
  - international accounting standards and, 82
- Benefit approach, pension benefits and, 519
- Benefits/years of service approach, pension benefits and, 520
- Beresford, D., 161n15
- Berton, Lee, 14n24
- Beta, 237, 268
- Bhamornsiri, S., 652n33
- Biased expectations, 131
- Bitcoin, 376
- Black-Scholes model, 560, 560n27
- Blais, Michael K., 536n13
- Blough, Carman, 5, 6, 6n14
- BMW, 325
- Bonds
  - accrued interest and, 403
  - bond indenture, 401
  - bonds payable, 400–401
  - call provisions and, 405–407
  - classifications of, 401
  - convertible debt and, 407–411
  - debt extinguishment criteria and, 406–407
  - debt refunding and, 405
  - early extinguishment and, 405
  - effective interest method and, 404
  - effective rate and, 401
  - fair value option and, 404
  - interest expense and, 404
  - issue costs and, 403
  - market rate and, 401
  - maturity value and, 402
  - selling at a discount and, 401

- selling at a premium and, 401  
 selling prices and, 401–403  
 stated interest rate and, 401  
 straight-line interest method and, 404  
 yield rate and, 401  
 zero coupon bonds, 404–405
- Booster shots, 645  
 Borrowed funds, 400–401  
 Bose, Ajoy Kumer, 299n13  
 Bounded rationality, 131  
 Bowen, Robert M., 280n28  
 Bradshaw, M. T., 98n20  
 Brand names, 580  
 Bretton Woods Conference of 1944, 601n40  
 Briloff, Abraham, 658  
 Broadbent, D., 140n59  
 Brooking, A., 143n74  
 Brown, Clifford D., 154n1  
 Brown, Philip R., 40n44, 126n28, 159n11  
 Bublitz, Bruce, 126n29  
 Burger, Warren, 22  
 Burgstahler, David, 280n28  
 Burton, F. Greg, 149n93  
 Bush, George W., 24, 116, 648  
 Business combinations. *See also* Consolidations  
   accounting for, 576–582  
   acquiring entity dissolution and, 581  
   acquisition method and, 579–582  
   Business model test, 384  
   Buy-sell agreements, 552  
   classical era and, 575  
   competitive pressures and, 576  
   consolidations, 582–586  
   fair value measurement requirements and, 577–578  
   financial considerations and, 576  
   fresh-start method and, 578  
   growth and diversification and, 576  
   intangible assets and, 580  
   pooling of interests method and, 577–578  
   profit and retirement and, 576  
   purchase method and, 447, 578–579  
   tax consequences and, 576
- C**
- Calederisi, Michael C., 304n18, 329n12  
 Calendar anomalies, 127–128  
 Callahan, C. M., 98n20  
 Call options and warrants and, 225–226  
 Call provisions, 405–407, 556  
 Cameron, A. B., 218n11  
 Canning, John B., 30, 30n5  
 Capital asset pricing model (CAPM), 133–136  
   basic assumption of, 134  
   criticisms of, 135  
   risk types and, 134–135  
 Capitalization, leases and, 479, 480, 482  
 Capital leases, 478–480, 482–484, 488, 489, 493, 580  
 Capital maintenance, 109–110  
 Capital stock, 555  
 Capital structure, 395, 545  
 Caplan, Edwin H., 115n2, 121n14  
 Carey, John L., 3n8  
 Carney, W. J., 652n32  
 Carry-backs, 458  
 Carrying amount, 337  
 Cash, 296, 378  
 Cash equivalents, 272, 296–297, 378  
 Cash flow, 58. *See also* Statement of cash flows  
   addressing changes in, 60  
   cash-flow hedge, 434  
   characteristics, 383  
   faithful representation of, 271  
   financial analysis of, 279–280  
   financial flexibility and, 271  
   financing activities and, 277  
   free cash flow, 280  
   importance of information on, 279–280  
   indirect method and, 262  
   investing activities and, 276–277  
   liquidity and, 271  
   operating activities and, 275–276  
   from operations to current liabilities, 309  
   reconciliation method and, 276  
   solvency and, 271  
   subsequent guidance, 277–279  
 Cash receipts, revenue recognized and, 164  
 Cash-settled share-based payment transactions, 568  
 Cassidy, John, 125n25  
 Catch-up method, cash flow changes and, 60  
 Cathey, Jack M., 16n31, 263n17  
 Catlett, George R., 368n42  
 Catuogno, Simona, 184n44  
 Caws, Peter, 115n1  
 CEO certification, 651  
 CFO certification, 651  
 Chambers, Raymond J., 157n9  
 Chanos, James, 264  
 Chen, Anthony, 65n85  
 Cherny, J., 25n48  
 Choi, B., 536n11  
 Chua, Wai Fong, 141n63  
 Chung, J., 264n15  
 Ciesielski, J. T., Jr., 98n20  
 Circulating capital, 293–295  
 Claim on assets, 398  
 Claim on income, 398  
 Clarke, Jonathan, 124n18  
 Clark, Myrtle W., 395n2, 547n5  
 Classification criteria, leasing and, 480–481  
 Coase, Ronald H., 145n81  
 Code of Professional Conduct, 656–663  
 Cognitive biases, 131  
 Cohen Report, 659  
 Cole, Frederick, 559n25  
 Collins, D. W., 536n11  
 Colorable claims, 196  
 Comiskey, E. E., 593n23  
 Commander theory of equity, 549  
 Committee on Accounting Procedure (CAP), 6–7, 33, 349  
 Commodity Futures Modernization Act, 117  
 Common stock, 258  
 Common stock equivalents, 224  
 Community Reinvestment Act, 117  
 Comparability, accounting information and, 48  
 Compensating balances, 296  
 Compensatory stock option plans, 558  
 Completeness, accounting information and, 48  
 Complex capital structures, 223  
 Complex financial instruments, 399, 408  
 Comprehensive allocation, income taxes and, 450–451  
 Comprehensive income, 66, 161, 227–230  
 Concepts-based standards, 63  
 Conceptual framework  
   basic postulates of accounting, 34  
   classic approach and, 39  
   Conceptual Framework Project, 68–72  
   criticisms of theory approaches and, 40–41  
   decision-usefulness approach and, 39–40  
   early authoritative and semi-authoritative developmental attempts, 32–38  
   early theorists and, 30–32  
   elements of financial statements and, 46  
   FASB-ISAB financial statement presentation project, 66–68  
   FASB's conceptual framework project, 41–46  
   information economics and, 40  
   international convergence and, 66–68  
   objective of financial reporting and, 46  
   principles-based vs. rules-based accounting standards, 61–64  
   qualitative characteristics and, 46  
   recognition, measurement, and disclosure and, 46  
   SATTA evaluation and, 41  
   standards update project, 73  
   Statement of Financial Accounting Concepts No. 5, 55–56  
   Statement of Financial Accounting Concepts No. 6, 57  
   Statement of Financial Accounting Concepts No. 7, 57–60  
   Statement of Financial Accounting Concepts No. 8, 44–55  
   statement on accounting theory and theory acceptance, 38–39  
*The Conceptual Framework for Financial Reporting*, 102  
*Conceptual Framework for Financial Reporting: The Reporting Entity (ED)*, 70

- Conceptual framework project, 68–72. *See also* FASB's Conceptual Framework Project (CFP)  
 application of framework to not-for-profit entities phase and, 579–580  
 criticism of, 60–61  
 definitions of elements, recognition and derecognition phase and, 69  
 and disclosure phase and, 71  
 measurement phase and, 70  
 objectives and qualitative characteristics phase and, 69  
 purpose and status of framework phase and, 71–72  
 remaining issues, if any, phase and, 72  
 reporting entity concept phase and, 70–71
- Confidentiality, 655
- Conglomerates, 593
- Conservatism, 182–183
- Conservative accounting, 194
- Consolidations, 582–586  
 control concept and, 583–586  
 controlling entity and, 584  
 criteria for, 583  
 defining control and, 586  
 drawbacks of, 593  
 entity theory and, 589–590  
 equity investments and, 348, 416  
 goodwill and, 592–593  
 international accounting standards and, 615–617  
 modified approach to, 585  
 noncontrolling interest and, 590–591  
 nonhomogeneity exception and, 584  
 overriding principles of, 583  
 parent company theory and, 590  
 proportionate consolidation, 591–592  
 purpose of consolidated statements, 582  
 segment reporting and, 596–598  
 theories of, 589–590
- Constantinides, G. M., 131n45
- Contingencies, 413–414
- Contingent liabilities, 257
- Contingently issuable shares, 226–227
- Continuing operations, income from, 211–212
- Continuity, corporations and, 553
- Control concept, consolidations and, 583–586
- Conversion features  
 debt vs. equity classification and, 398  
 preferred stock and, 555–556
- Convertible debt, 407–411
- Convertible securities, 225
- “Cookie jar” reserves, 193
- Coronavirus Aid, Relief, and Economic Security (CARES) Act, 118
- Corporate earnings, value of, 233
- Corporate insiders, 646
- Corporate stock, risk of investing in, 268
- Corporations  
 capital section and, 554  
 common stock and, 554  
 continuity and, 553  
 investment liquidity and, 553  
 limited liability and, 553  
 noncontrolling interest and, 565  
 other comprehensive income and, 564  
 paid-in capital (contributed capital), 554–555  
 preferred stock features and, 553–562  
 quasi-reorganizations and, 564–565  
 retained earnings and, 562  
 stock subscriptions and, 555  
 variety of ownership interest and, 553
- Corridor approach, pension benefits and, 526
- Cost accounting, property, plant, and equipment and, 321–346
- Cost allocation, property, plant, and equipment and, 326–327
- Cost and/or capacity improvement, 374
- Cost-benefit analysis, 47n51
- Cost constraint, 47
- Cost, matching concept and, 180
- Cost method  
 international accounting standards and, 286  
 pension benefits and, 519  
 securities investments and, 350  
 treasury stock and, 563
- Coughlan, J., 480n4
- COVID-19 coronavirus, 511
- Cox, Christopher, 578
- CPA firm inspections, 650
- CPA firm prohibited services, 650–651
- Creative acquisition accounting, 193
- Credit bubble, 127
- Credit default swaps (CDS), 117, 117n4
- Credit risk, derivatives and, 418
- Creelman, C., 652n30
- Critical perspective research, 140–142
- Critical Perspectives on Accounting*, 141
- Cryptocurrency  
 advantages, 376–377  
 blockchain, 376  
 concept, 376  
 entity record and report holdings, 378  
 FASB's Conceptual Framework, 378  
 fiat currency, 376  
 trading, 379  
 transactions, 377
- Cumulative provisions, preferred stock and, 557
- Current assets, 253–254, 296–305  
 bad debts and, 300–301  
 cash, 296  
 cash equivalents, 296–297  
 gains trading and, 298  
 historical cost method and, 297  
 inventories and, 301–305  
 lower of cost or market method and, 297  
 market value and, 297  
 receivables and, 300–301  
 temporary investments and, 297–300
- Current cost, 108
- Current liabilities  
 cash flow from operations to, 309  
 current maturities and, 306  
 deferrals and, 306  
 definition of, 256–257  
 payables and, 305–306  
 working capital and, 295
- Current maturities, 306
- Current-noncurrent method, foreign currency translation and, 602–603
- Current operating performance concept, 210
- Current operating profit, 160
- Current rate method, foreign currency translation and, 604
- Current ratio, 308–309
- Current usage, 295
- Current-value accounting, 156–159  
 balance sheet and, 248  
 discounted present value and, 158–159  
 entry price or replacement cost and, 156–157  
 exit value or selling price and, 157–158  
 historical accounting model and, 159
- D**
- Daley, Lane A., 280n28
- Databases, searchable, 65
- Davidson, S., 156n6
- Dayan, David, 50n55
- Debenture bonds, 401
- DeBerg, C. L., 224n23
- De Bondt, Werner, 130n44
- Debt extinguishment, 406–407
- Debt financing, 401
- Debt refunding, bonds and, 405
- Debt securities investment, 355–358  
 amortization and, 356  
 effective interest method and, 357  
 fair value and, 358  
 held to maturity classification and, 355–358  
 straight-line amortization and, 357
- Debt service ratios, long-term liabilities and, 428
- Debt-to-assets ratio, long-term liabilities and, 427
- Debt vs. equity, 397–400
- Dechow, P. M., 148n89, 194, 194n60
- Decision-making, Bayesian, 119n36, 130n43
- Decision-usefulness approach, 39–40
- Deductive approach, research methodology and, 119
- Deep discount bonds, 404
- Deferrals, 306
- Deferred compensation arrangements, 416
- Deferred credits, 412–413
- Deferred method, 8
- Deferred method of income tax allocation, 452–453
- Deferred revenues, 257
- Deferred tax assets, 447, 460
- Deferred taxes, discounting of, 451–452

- Deferred tax liabilities, 447, 460
- Defined benefit pension payments (DBPPs), 532
- Delayed recognition, revenue, 162
- Dell Computer Corporation, 162
- Depreciation, 327–329
  - depreciation base, 328
  - depreciation methods, 328
  - method disclosure, 329
  - straight line depreciation, 328–329
  - units of activity and, 329
  - useful service life, 328
- Derecognition approach, leasing and, 490
- Derivatives, 416–417
  - credit risk and, 418
  - dealers and end users and, 417
  - fair value and, 419
  - foreign currency hedging and, 608
  - forward transaction, 417
  - legal risk and, 418
  - market risk and, 418
  - operational risk and, 418
  - options, 417
  - risk transference, 417
  - systems risk and, 418
- Detachable warrants, 562
- Devaluation, foreign currency translation and, 601
- Dhaliwal, Dan, 230n36
- Diluted EPS, 225
- Dingell, John, 659
- Direct-financing leases, 485, 485t
- Direct write-off method, 300
- Disclaimer of opinion, auditor's report and, 635
- Disclosed information, segment reporting and, 599–600
- Disclosures. *See also* Securities and Exchange Commission (SEC)
  - accounting policies and, 629–630
  - analysts' reports and, 644–645
  - auditor's report and, 632–638
  - basic financial statements and, 627–632
  - building blocks to, 626
  - for capital leases, 483–484
  - fair value measurements and, 261
  - FASB standards and, 632–640
  - footnotes and, 626
  - interim financial statements and, 638–639
  - international accounting standards and, 663–664
  - letter to stockholders and, 615
  - liquidation basis of accounting and, 639–640
  - management's discussion and analysis and, 640–643
  - market risk sensitive instruments and, 420
  - for operating leases, 484
  - other postretirement benefits and, 534
  - parenthetical disclosures, 627
  - pension benefits and, 527
  - price-level information and, 632
  - recognition and measurement criteria and, 626–632
  - for sales-type and direct financing leases, 487
  - Securities and Exchange Commission and, 645–654
  - subsequent events and, 630
  - supplementary information and, 632–640
  - supplementary schedules and, 627
- Discontinued operations, 213–217, 339
- Discounted cash flow method, 362
- Discounted present value, 156, 158–159
  - arguments in favor of, 158
  - estimate accuracy and, 158
  - measurement problems and, 158
- Discount rates, 158
- Discovery capital, 325–326
- Donald, Stokes, 148n91
- Donated assets, 325–326
- Donated capital, 325–326
- Dooley, Calvin, 578
- Double-account system, 293
- Double-entry bookkeeping, 2
- Drucker, Peter F., 142n71
- Dunlap, Albert J., 194
- E**
- Early extinguishment, bonds and, 405
- Earnings
  - conservatism ratio and, 467
  - quality of, 191–192
  - volatility and, 237
- Earnings before interest, taxes, depreciation, and amortization (EBITDA), 491
- Earnings management, 193–194
  - "cookie jar" reserves and, 193
  - creative acquisition accounting and, 193
  - improper revenue recognition and, 194
  - insider benefits and, 193
  - legitimate, 193
  - materiality concept abuse and, 194
  - taking a bath and, 193
- Earnings per share (EPS), 222–227
  - basic EPS, 205–209
  - call options and warrants and, 225–226
  - contingently issuable shares, 226–227
  - diluted EPS, 225
  - as summary indicator, 227
  - usefulness of, 227
  - written put options and, 226
- Easier International Trade, 377
- Ebbers, Bernie, 648
- Eccles, Robert G., 143n73
- Economic consequences, accounting standards and, 16
- Economic development, international accounting systems and, 80
- Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), 116
- Economic income, 36
- Economic vs. accounting income, 159–161
- Education levels, international accounting systems and, 79–80
- Edwards, E. O., 156n6
- Effective interest method, 357, 404, 412
- Effective rate, bonds and, 401
- Efficient market hypothesis, 122–126
  - abnormal returns and, 123n16
  - criticisms of, 125
  - event studies and, 124n19
  - financial market anomalies and, 127
  - implications of, 126
  - research challenges of, 125
  - semistrong form, 124
  - strong form, 124–125
  - supply and demand curves and, 122–123, 122f
  - weak form, 123–124
- 8-K report, 144, 144n80
- Eisner, Michael, 559
- El-Gazzar, Shamir M., 478n1
- Embedded derivative, 432–433
- Emergency Economic Stabilization Act of 2008, 263
- Emerging Issues Task Force (EITF), 13, 219
- Employee Retirement Income Security Act (ERISA), 531–532
- Employee stock options, 15
- Enhanced business reporting model, 143
- Enron, 22–25, 648
- Enterprise theory of equity, 591
- Entity theory, 546–548
  - debt and equity distinction and, 551–553
  - definition of liabilities and, 395–396
  - proprietary theory compared, 545, 546
- Entry price, 156–157
- Entry-price accounting, 156, 180
- Epstein, Gene, 144n78
- Equity
  - APB Opinion No. 25 and, 558–559
  - call provisions and, 556
  - capital structure and, 545
  - commander theory of, 549
  - common stock, 258
  - conversion features and, 555–556
  - cumulative provisions and, 557
  - definition of, 249–250, 550–551
  - disclosure of risk and, 551–553
  - enterprise theory of, 549
  - entity theory of, 546–548
  - equity for debt swaps, 426
  - FASB ASC 718 and, 559–561
  - financial analysis of stockholders' equity, 565–567
  - financial instrument characteristics, 551–552
  - international accounting standards and, 567
  - investments in consolidated subsidiaries, 416
  - long-term debt and, 551–553

- Equity (*cont.*)
- noncontrolling interest and, 565
  - paid-in capital and, 554–555
  - participating provisions and, 557
  - preferred stock, 258
  - proprietary theory of, 546
  - quasi-reorganizations and, 564–565
  - redemption provisions and, 552, 557
  - reporting equity, 553–565
  - residual equity theory of, 550
  - retained earnings and, 562
  - retained earnings and other comprehensive income, 258
  - stock dividends and, 562–563
  - stock options and warrants and, 557–561
  - stock splits and, 563
  - stock subscriptions and, 555
  - stock warrants and, 561–562
  - theories of, 546–550
  - treasury stock and, 258, 563–564
  - fund theory of, 548
  - mandatorily redeemable preferred stock, 397
- Equity Funding Corporation of America, 657n39
- Equity securities investment, 347–358
- consolidated financial statements and, 582–583
  - cost method and, 354–355
  - equity method and, 348–350
  - fair value method under SFAS No. 115, 350–353
  - fair value option and, 363–364
  - lower of cost or market (LCM) method and, 354–355
  - market value method and, 354
- Equity-settled share-based payment transactions, 568
- Errors, income statements and, 221–222
- Estimation methods, inventories and, 302
- Ethical approach, research methodology and, 120
- Ethics, 22–25, 655–663
- accounting scandals and, 22–25
  - Code of Professional Ethics, 22
  - confidentiality and, 655
  - differences on accounting issues and, 656
  - events of early 2000s and, 22–25
  - framework of analysis and, 656
  - independence and, 655
  - international accounting standards and, 663
  - legal-ethical question and, 656
  - practice development and, 656
  - professional code of conduct and, 656–663
  - public watchdog function and, 22
  - scope of services and, 660
  - terminology and, 655
  - utilitarianism and, 655
- Ettredge, Michael, 126n29
- European Union (EU), 78
- Exchanges
- of productive asset not held for sale, 324
  - of product or property held for sale, 324
  - similar productive assets, 324
- Executive compensation schemes, 193
- Exit prices, 157–158, 157n10
- Exit value, 157–158, 580
- Expectations gap, 659
- Expected cash flow, present value and, 58
- Expected future value, 248
- Expected net realizable value, 254
- Expected postretirement benefit obligation (EPBO), 533
- Expected utility value, 305
- Expenses
- definition of, 209
  - matching concept and, 180
- Experience gains, pension benefits and, 526
- Extraordinary items, income and, 217–219
- Ezzell, B., 148n89
- F**
- FAF Trustees, 10
- Fair value
- ASC 835-20, 323
  - bonds and, 404
  - business combinations and, 580
  - controversy concerning, 15–16
  - debt instruments and, 358–359, 430
  - definition of, 260
  - disclosures requirements and, 261
  - entry and exit price and, 260
  - equity securities investment and, 363–364
  - fair value hierarchy, 260
  - fair value through other comprehensive income, 384
  - fair value through profit or loss, 384
  - goodwill and, 368–369
  - hedging and, 434
  - intangible assets and, 382
  - international accounting standards and, 279–287, 337
  - method under SFAS No. 115, 350–353
  - noncontrolling interest and, 592
  - nonrecurring basis and, 261
  - other-than-temporary impairment and, 359
  - permanent decline in, 358–359
  - stock options and, 560
  - transaction price presumption and, 260–261
- Faithful representation, 47
- Fama, E., 123n17, 125, 125n25, 126, 132, 135n53
- FASB accounting standards codifications, 7, 11–13, 18
- ASC 220, 229
  - ASC 250, 220
  - ASC 260, 223, 226
  - ASC 280, 597
  - ASC 280–10–50, 599–600
  - ASC 310–10–35, 425
  - ASC 360, 214, 332
- ASC 360-10-35, 332
  - ASC 360-10-40, 331
  - ASC 480, 397
  - ASC 715, 525–529, 532–535
  - ASC 718, 559–561
  - ASC 740, 469
  - ASC 805, 579, 589, 591
  - ASC 805–20–30–7, 581
  - ASC 810, 565
  - ASC 825, 416
  - ASC 830, 605–609
  - ASC 960, 531
- FASB ASC 606 Revenue Recognition, 168–180
- FASB ASU 2018-13 Disclosure Framework-Disclosure Review, 44
- FASB ASU 2018-14 Disclosure Framework-Disclosure Review, 44
- FASB Concepts Statement No. 8, Conceptual Framework for Financial Reporting*, 44, 50
- FASB's Conceptual Framework Project (CFP), 41–46. *See also* Statements of Financial Accounting Concepts (SFAC)
- benefits of, 45
  - IASB joint project and, 42
  - levels of, 46
  - overview of, 45f
- Federation of Societies of Public Accountants, 4
- Ferguson, M., 135n54
- Finance lease model, 493
- Financial Accounting Foundation (FAF), 9, 10
- Financial Accounting Standards Advisory Council (FASAC), 9
- Financial Accounting Standards Board (FASB), 9–14
- congressional recommendations (2003), 64
  - convergence project and, 110
  - emerging issues and, 13
  - fair value accounting and, 15
  - financial statement presentation project, 66–68
  - FIN No. 46, 587
  - FIN No. 48, 462–463
  - Interpretation No. 349
  - Interpretation No. 3, 532
  - interpretations, 11
  - mission of, 11
  - objectives-oriented standards and, 64
  - postretirement benefits and, 16
  - short-term international convergence project, 96
  - Staff Position No., 263–265
  - standard setting as political process, 14–16
  - standards overload and, 13–14
  - Statement of Concepts No. 1, 641n24
  - structure of, 9, 10f
  - technical bulletins and, 11
  - types of pronouncements and, 11
- Financial assets, 378

- Financial asset servicing, 364n30  
 Financial asset transfer, 364–365  
 Financial capital, 143  
 Financial capital maintenance, 102, 155–156  
 Financial Executives Institute (FEI), 272  
 Financial flexibility, 272  
 Financial leverage, bonds payable and, 401  
 Financial market anomalies, 128–129  
 Financial position evaluating, 266–268  
 Financial reporting, economic consequences of, 208  
 Financial reporting environment, 115–118  
     COVID-19 pandemic and 2020 recession, 117–118  
     events of 9/11 and 2001 recession, 116  
     financial crisis 2008–2009, 116–117  
 Financial statements  
     disclosure issues and, 461–462  
     measurement of, 108–109  
     preparation for foreign users, 81  
 Financial structure ratio (FSR), 567  
 Financing activities, cash flow and, 277  
 Finder's fees, 580  
 First in, first out (FIFO) method, 302–303, 312  
 Fixed capital, 294  
 Fixed overhead allocation, self-constructed assets and, 322–323  
 Flows, 247  
 Flow-through method, 8  
 Fluctuation, foreign exchange rates and, 601  
 Footnotes, 626–627  
 Foreign Corrupt Practices Act of 1977, 648  
 Foreign currency hedges, 608–609  
     foreign currency cash-flow hedge, 608  
     foreign currency fair value hedge, 608  
     hedge of a net investment in a foreign operation, 608–609  
 Foreign currency translation, 218, 227, 601–609  
     current-noncurrent method and, 602–603  
     current rate method and, 604  
     devaluation and, 601  
     FASB and, 605  
     fluctuation and, 601  
     foreign exchange rate and, 602  
     functional currency approach and, 606  
     general procedures and, 606  
     international accounting standards and, 609  
     local currency and, 606–607  
     monetary-nonmonetary method, 603  
     primary economic environment and, 606  
     remeasurement and, 606  
     reporting entity and, 606  
     revaluation and, 602  
     temporal method and, 604–605  
 Form 10, 646  
 Form 20-F requirement, 97  
 Form 10-K, 646  
 Form 10-Q, 638, 646  
 Forward contracts, 400  
 Forward transactions, 417, 418t  
 Framework for the Preparation and Presentation of Financial Statements, 101–102  
 Francis, Jere R., 140n62  
 Fraud  
     examples of, 194–195  
     executive compensation schemes and, 193  
     fraudulent financial reporting, 194  
     red flags, 197  
 Free cash flow, 280  
 Freedom from error, accounting information and, 48  
 Freestanding written put options, 400  
 French, K., 135n53  
 Fresh-start method, business combinations and, 578  
 Friedman, Milton, 561  
 Functional currency, 606  
 Fundamental analysis, 121–122, 644  
 Funded status, pension benefits and, 527  
 Funds, definition of, 269  
 Funds statements, 269  
 Future cash flows, 57  
 Futures contracts, market value changes and, 227  
 Future transaction, 418t
- G**
- Gains, 209  
 Gains trading, 298  
 Generally accepted accounting principles (GAAP)  
     business combinations and, 576–577  
     evolution of, 16–18  
     goodwill and, 592–593  
     impact of international accounting standards and, 97–100  
     interperiod income tax allocation and, 451–452  
     long-term obligations and, 257  
     revenue reporting requirements and, 60  
     SEC study criticism of, 65  
     segment reporting and, 596–598  
     subsequent events and, 630  
     tax consequences of economic events and, 447  
 General purpose financial reporting, 46  
 Glass-Steagall Act of 1933, 116  
 Global Crossing, 648  
 Going public, 646  
 Goldberg, Louis, 547, 547n3  
 Gold standard, 601n40  
 Gong, James (Jianxin), 65n85  
 Goodwill, 368–369  
     amortization and, 62  
     discount rate and, 368  
     distinguishing characteristics of, 368  
     entity theory and, 592  
     fair value and, 368  
     as intangible asset, 368  
     international accounting standards and, 380–381, 614  
     SFAS No. 142 and, 369–373  
     useful life and, 369  
     write-offs and, 369  
 Gordon, E. A., 98n20  
 Grady, Paul, 35, 35n29, 183n40  
 Grantham, Jeremy, 125n22  
 Great Depression, 5  
 Greater ability, 377  
 Greenspan, Alan, 126, 127  
 Gross disclosure technique, comprehensive income and, 229  
 Gross profit analysis, 235  
 Gross profit method, inventories and, 302  
 Gross unrealized holding gains, 358  
 Gross unrealized holding losses, 358  
 Group purchases, property, plant, and equipment and, 322  
 Guenther, David A., 466n40  
 Gu, Feng, 144, 144n77  
 Guinn, R., 652n33  
 Gunning, Gina K., 536n13
- H**
- Hagen, Daniel C., 536n13  
 Hagopian, K., 561n28  
 Hain, H. P., 2n5  
 Halliburton Oil Services, 648  
 Hamada, Robert S., 395n1  
 Hand, J. R., 139n58  
 Hanlon, M., 467n45  
 Harrington, B., 132n48  
 Harris, Mary S., 97n14, 131n45  
 Harrison, M., 132n47  
 Harris, T., 148n89  
 Hatfield, Henry Rand, 6, 6n15, 32, 32n17, 396n4  
 HealthSouth, 23  
 Healy, Paul M., 148n89, 193n58  
 Hedge accounting, 383  
 Hedge of a net investment in a foreign operation, 434  
 Held-for-sale assets, international measurement principles and, 339  
 Held for trading, financial liability classification and, 384  
 Held to maturity classification, debt securities and, 356  
 Hepworth, J. A., 81n2  
 Hepworth, Samuel, 603, 603n45  
 Herrick, Anson, 294, 294n5  
 Herz, Robert H., 16, 143n73  
 Hicks, J. R., 155n5  
 High dividend yield, 128  
 Hilsenrath, Jon E., 125n26  
 Hirst, D. Eric, 229n32  
 Historical accounting model, 159  
 Historical cost method, 108, 254, 297  
 Hodder, L. D., 98n20

- Hoffelder, Kathleen, 99n23  
Hofstadter, Richard, 4n11  
Hofstede, G., 79n1  
Hofstedt, Thomas R., 121n13  
Hogarth, R. M., 140n61  
Holding gains, 160  
Hoogervorst, Hans, 74  
Hopkins, Patrick, 98n20, 229n32  
Hopwood, Anthony G., 121n12  
Horngren, Charles T., 14n25  
Housing bubble, 125  
Hughes, J., 264n15  
Huizingh, William, 293n1  
Human capital, 143  
Human information processing, 139–140  
Hybrid transactions, 418t
- I**
- IASB Advisory Council, 87  
IASB Annual Improvements Project, 95  
IASB-FASB Convergence Project, 66–68, 96–97  
    Norwalk Agreement, 96–97  
    roadmap to convergence, 78  
    Short-term International Convergence Project, 96  
IASB-FASB Financial Statement Presentation Project, 110  
IASB Future Work Program, 96  
IASB Standalone Project, 103–110  
IAS No. 1, on financial statements, 110–111  
IBM, 122  
IFRS No. 15, 197  
IFRS Practice Statement, "Making Materiality Judgments," 198–199  
Impairment, 338  
Impairment approach to deferred tax assets, 358  
Impairment of value, long-term assets and, 330–333  
Impairments of investments in unsecured debt, 359–363  
Income approach, international accounting standards and, 286  
Income concepts  
    capital-maintenance concepts, 155–156  
    comprehensive income, 227–230  
    continuing operations and, 211–212  
    current-value accounting, 156  
    current value and the historical accounting model, 159  
    discounted present value, 158–159  
    earnings management, 193–194  
    earnings quality, 191–192  
    entry price or replacement cost, 156–157  
    exit value or selling price, 157–158  
    income defined, 154  
    income received in advance, 412  
    nature of income, 155–159  
    nonrecurring items of, 212  
Income statements  
    accounting changes, 219–222  
    all-inclusive concept and, 210  
    APB Opinion No. 9 and, 210–212  
    call options and warrants, 225–226  
    change in accounting principle (CAP), 220–221  
    change in estimates, 221  
    change in reporting entities, 221  
    comprehensive income, 227–230  
    contingently issuable shares, 226–227  
    convertible securities, 226  
    differences between definitions and, 208–210  
    diluted EPS, 225  
    discontinued operations, 213–217  
    disputes and, 413  
    earnings per share, 222–227  
    elements of, 208–210  
    errors, 221–222  
    extraordinary items, 217–219  
    gross profit analysis, 235  
    income from continuing operations, 211–212  
    international accounting standards and, 238–243  
    net profit analysis, 236  
    nonrecurring items of income, 212  
    persistence of revenues and, 234  
    presentation and related disclosures, 461  
    prior period adjustments, 230–232  
    revenue sources and, 234  
    statement format and, 210–212  
    usefulness of earnings per share, 227  
    value of corporate earnings, 233  
    written put options, 236  
Income taxes  
    affirmative judgment approach to deferred tax assets, 457  
    allocation vs. nonallocation and, 448–450  
    alternative interperiod tax allocation methods, 452–459  
    asset-liability method of income tax allocation, 453–454  
    balance sheet presentation and related disclosures, 461–462  
    business combinations accounted for by purchase method and, 447  
    business dissatisfaction with SFAS No. 96, 456  
    carry-backs and, 448  
    comprehensive vs. partial allocation, 450–451  
    conceptual issues and, 448  
    current financial accounting income exceed current taxable income, 445–446  
    current financial accounting income is less than current taxable income, 446  
    deductible amounts and, 445  
    deferred method of income tax allocation, 452–453  
    deferred tax assets and, 460  
    deferred tax liability and, 460  
    discounting deferred taxes and, 451–452  
    earnings conservatism ratio and, 467  
    FASB dissatisfaction with deferred method of allocation, 455–456  
    financial analysis of, 466–468  
    financial statement disclosure issues and, 460–462  
    FIN No. 48 and, 462–463  
    foreign operations and, 447  
    historical perspective and, 442–443  
    impairment approach to deferred tax assets, 457  
    income statement presentation and related disclosures, 460–461  
    income tax allocation issue, 444  
    indexing for inflation and, 447  
    international accounting standards and, 469–471  
    interperiod tax allocation and, 444  
    investment tax credit and, 446  
    net-of-tax method of income tax allocation, 466–467  
    net operating losses and, 447–448  
    permanent differences between pretax income and taxable income, 444–445  
    SEC disclosure requirements and, 462  
    SFAC No. 6 and, 453  
    SFAS No. 109 and, 456–459  
    taxable amounts and, 445  
    temporary differences between pretax, 445–447  
    timing differences and, 446  
    valuation allowance and, 457–459  
Incremental shares, 226  
Independence, 655  
Indirect method, cash flow and, 276  
Inductive approach, research methodology and, 119  
Industrial Revolution, 3  
Inflation, indexing for, 447  
Information economics, 40  
Infrequency of occurrence, transactions and, 218  
Initial public offerings (IPOs), 128  
In-process research, 580  
Insider transactions, 128  
Installment sales, deferred gross profit on, 412  
In-substance defeasance, 407  
Insurance contracts, 432  
Intangible assets, 365–375, 378  
    accounting for cost and, 366  
    acquisition manner and, 365  
    amortization and, 366–367  
    business combinations and, 580  
    expected period of benefit and, 366  
    externally acquired, 366  
    goodwill, 368–369  
    identifiability and, 365  
    internally developed, 366  
    research and development costs, 373–375

- separability from entire enterprise and, 366  
*SFAS No. 142* and, 371–373  
 value derivation and, 366
- Integrated reporting, 143, 143n76
- Intellectual capital, 143
- Intellectual capital reports, 143
- Intent of parties, debt vs. equity classification and, 398
- Interest charge capitalization, self-constructed assets and, 323
- Interest cost component, pension benefits and, 525–526
- Interest coverage ratio, long-term liabilities and, 427
- Interest rate benchmark reform, 435–436
- Interim financial statements, 638–639
- International accounting
  - Agenda Consultation Initiative, 89–92
  - business combinations and, 612–613
  - business segment disclosure and, 613–614
  - cash flow statements, 282–283
  - concepts of capital and capital maintenance, 102–103
  - consolidated financial statements and, 615–616
  - cost approach, 286
  - development of accounting systems, 79
  - disclosure of interest in other entities, 619–621
  - economic development and, 80
  - education levels and, 79–80
  - ethical requirements and, 663
  - fair value measurement and, 279–287
  - FASB's Short-term International Convergence Project, 96
  - financial statements preparation for foreign users, 81
  - foreign currency translation and, 608–609
  - framework for preparation and presentation of financial statements, 101–102
  - goodwill and, 614
  - hedge of a net investment in, 434
  - IASB Advisory Council, 87
  - IASB annual improvements project, 95
  - IASB-FASB Convergence Project, 97
  - IASB-FASB financial statement presentation project, 110–111
  - IASB's revised framework, 102
  - IASC and the IOSCO, 94–95
  - IAS No. 1 and IFRS No. 1, 110–111
  - impact of international vs. GAAP accounting standards, 97–100
  - income approach, 286
  - income statement and, 238
  - income taxes and, 425–426, 469–471
  - International Accounting Standards Board, 87, 92f
  - International Accounting Standards Committee, 81–87
  - international business accounting issues, 79
  - Interpretations Committee, 88–89
  - investment entities and, 617
  - investments and intangibles and, 379
  - IRFS Foundation Constitution, 85–86
  - joint arrangements and, 618
  - leasing and, 506
  - legal systems and, 80
  - long-term liabilities and, 428–435
  - market approach and, 285
  - measurement of financial statements, 108–109
  - multiple entities and, 609–621
  - nonrecurring fair value measurements and, 286
  - Norwalk Agreement, 96–97
  - pensions/postretirement benefits and, 537
  - political systems and, 80
  - property, plant, and equipment, 314–315
  - recurring fair value measurements and, 286
  - separate financial statements and subsidiaries, 609–610
  - standards evolution and, 26
  - standards overload and, 100–101
  - statement of financial position and, 281
  - stockholders' equity and, 567
  - uses of international accounting standards, 92–94
- International Accounting Standards (IAS), 197–203
  - IAS No. 1*, 199–200
  - IAS No. 8*, 199–200
  - IAS No. 14*, 614
  - IAS No. 35*, 241
  - IAS No. 22*, business combinations, 379
  - IAS No. 10*, events after reporting period, 664
  - IAS No. 34*, events after reporting period, 664
  - IAS No. 40*, fair value, 471, 506–507
  - IAS No. 8*, on accounting charges, 240–241, 340
  - IAS No. 17*, on accounting for leases, 284, 506
  - IAS No. 12*, on accounting for taxes on income, 469–471
  - IAS No. 26*, on accounting of retirement benefit plans, 537, 539
  - IAS No. 23*, on borrowing costs, 337
  - IAS No. 7*, on cash flow statements, 282–283
  - IAS No. 27*, on consolidated financial statements, 609, 610–612
  - IAS No. 32*, on disclosure and presentation, 380, 429
  - IAS No. 33*, on earnings per share, 224, 238, 241
  - IAS No. 1*, on financial statements, 239–240, 281–282, 314–315, 663
  - IAS No. 21*, on foreign exchange rates, 609–610
  - IAS No. 36*, on impairment of assets, 284, 338, 381
- IAS No. 38*, on intangible assets, 341, 380–381
- IAS No. 2*, on inventories, 284, 315
- IAS No. 28*, on investments, 379–380, 611
- IAS No. 24*, on party disclosures, 382
- IAS No. 16*, on property, plant, and equipment, 336–337, 341, 381
- IAS No. 37*, on provisions, contingent liabilities and assets, 339
- IAS No. 39*, on recognition and measurement, 314, 383, 385, 537, 617
- IAS No. 19*, on retirement benefit costs, 537–539
- IAS No. 18*, on revenue measurement, 197
- IFRIC No. 23*, on accounting for taxes on income, 471–472
- International Accounting Standards Board (IASB)
  - advisory council and, 87
  - Agenda Consultation Initiative, 89–92
  - The Conceptual Framework for Financial Reporting*, 102
  - convergence project, 97
  - financial statement presentation project, 110–111
  - improvements project, 95
  - international accounting standards and, 92–94
  - makeup of, 86
  - principal responsibilities of, 87
  - small and medium-sized entities and, 100
  - standards overload and, 100–101
  - structure of, 92f
  - sustainability reporting, 200–203
  - technical agenda of, 87
- International Accounting Standards Committee (IASC)
  - agreement and constitution, 81
  - alternative treatment and, 82
  - benchmark treatment and, 82
  - focus of, 84
  - formation of, 81
  - framework for the preparation and presentation of financial statements, 101–102
  - IFRIC establishment and, 88
  - IFRS Foundation and, 84–86
  - issues needing addressing and, 84
  - partnership with IOSCO and, 94–95
  - restructuring of, 83–84
  - standard-setting process and, 82
  - strategy working party, 83
- International convergence, 66–74, 96. *See also* IASB-FASB Convergence Project
  - actions taken, 65
  - conceptual framework project, 68–74
  - FASB-IASB financial statement presentation project, 66–68
  - memorandum of understanding, 72
  - standards update project and, 73

- International Financial Reporting Interpretations Committee (IFRIC), 88
- International Financial Reporting Standards (IFRS)
- adoption of, 78
  - IFRS No. 1*, 93, 110–111
  - IFRS No. 2*, 568–569
  - IFRS No. 3*, 579, 609, 612–614
  - IFRS No. 5*, 241–243, 339–340, 611
  - IFRS No. 6*, 340–341
  - IFRS No. 7*, 382–383, 430–431
  - IFRS No. 8*, 609, 614–615
  - IFRS No. 9*, 379, 383, 431, 611
  - IFRS No. 10*, 609, 615–617
  - IFRS No. 11*, 609, 618–619
  - IFRS No. 12*, 609, 619–621
  - IFRS No. 13*, 283–287
  - IFRS No. 15*, 197
  - IFRS No. 16*, 507–511
  - individual jurisdictions, 93
  - issues, 93
  - revenue reporting requirements and, 165
  - small and medium-sized entities and, 100
  - standards overload and, 100–101
  - U.S. company adoption of, 78
- International Monetary Fund, 602
- International Organization of Securities Commissions (IOSCO), 94–95
- Interperiod tax allocation, 444
- Intraperiod tax allocation, 461
- Inventories, 301–305
- averaging techniques and, 304
  - estimation methods and, 302
  - expected utility value and, 305
  - first in, first out method and, 302–303, 312
  - flow assumptions and, 302–304
  - gross profit method and, 302
  - international accounting and, 314–315
  - last in, first out method and, 303–304, 312
  - lower of cost or market method and, 304
  - market fluctuations and, 304–305
  - periodic inventory system and, 302
  - perpetual records method and, 302
  - prepaids and, 305
  - quantity of, 302
  - retail method and, 302
  - turnover, 311–313
  - valuation and, 253
- Inventory, 378
- Inventory turnover ratio, 311–313
- Investing activities, cash flow from, 276–277
- Investment analysis, 121
- Investment entities, international accounting standards and, 617
- Investment liquidity, corporations and, 553
- Investments and intangibles accounting for cost, 366
- allowed alternative treatment and, 381
  - amortization and, 366–368
  - balance sheet, 254–255
  - business model test and, 384
  - cash flow characteristics test and, 432
  - consolidation and, 348
  - cost method and, 354–355
  - cryptocurrency, 376–379
  - equity method and, 347
  - fair value option and, 363–364
  - fair value through other comprehensive income, 383–384
  - fair value through profit or loss and, 431
  - financial analysis of, 379
  - goodwill and, 368–369
  - impairment of investments in unsecuritized debt, 359–363
  - intangibles assets and, 365–375
  - international accounting standards and, 379–383
  - investments in equity securities, 347–358
  - lower of cost or market method and, 354–355
  - market value method and, 354
  - permanent decline in fair value and, 358–359
  - research and development costs and, 373–375
  - risk-based disclosures and, 382–383
  - SFAS No. 115* and, 298–299
  - SFAS No. 142* and, 371–373
  - transfers of financial assets, 364–365
- Investment tax credit, 446
- Investor behavior, 132
- Invitation to comment (ITC), 20–21
- IRFS Foundation, 84–85
- constitution, 85–86
  - duties of, 85
  - monitoring board and, 86–87
  - objectives of, 85–86
- J**
- Jandik, Tomas, 124n18
- January effect, 128
- Jenkins, Edmund, 578
- Jennings, Alvin R., 33, 33n21
- Jennings, Ross, 224n24
- Jensen, M., 137n55, 138n57
- Johnson, T., 161n15
- Johnson, W. B., 536n11
- Joint arrangements, international accounting standards and, 618
- Joint Transition Resource Group, 177–179
- Jones, Jefferson P., 233n40
- Jones, Richard R., 21
- Joos, P., 467n45
- K**
- Kahneman, Daniel, 129n35
- Kang, Tony, 97n13
- Kaplan, Robert, 142n72, 148n90
- Karz, G., 127n34
- Katz, I., 263n16
- Keegan, E. Mary, 143n73
- Key Performance Indicator (KPI), 142, 142n72
- Kinard, James C., 121n13
- Kohlbeck, M. J., 98n20
- Kohler, Eric L., 365n33
- Krishnan, Gopal V., 97n13
- Kudlow, Larry, 648
- Kudlow, Lawrence, 264, 264n14
- Kuhn, K., 41n45
- L**
- Lambert, R., 148n89
- Landsman, W. R., 529n6, 536n10
- Large stock dividends, 563
- Last in, first out (LIFO) method, 303–304, 312
- Laughlin, Richard C., 141n66
- Laux, B., 98n20
- Lawrence, C., 31n7
- Leasing
- accounting and reporting by lessees under *SFAS No. 13*, 481–482
  - accounting and reporting by lessors, 484–485
  - advantages of, 477
  - agreements affected by ASU 2020-04 reference rate reform, 502–503
  - amortization and, 483
  - capital leases, 478–480, 482–484
  - certain lessor costs, 500
  - classification criteria, 480–481
  - derecognition approach and, 490
  - direct financing leases, 485, 485t
  - disclosure requirements for capital leases, 484
  - disclosure requirements for operating leases, 484
  - fair value and, 482
  - finance lease model and, 493
  - financial analysis and, 503–505
  - international accounting standards and, 506–507
  - lessor operating leases, 487–488
  - lessor's implicit rate, 485
  - leveraged leases, 488–489, 488f
  - minimum lease payments, 483
  - and nonlease components, 500–501
  - off-balance sheet financing and, 415–416
  - operating lease model and, 489
  - operating leases, 478–480, 484
  - performance obligation approach and, 490
  - positive nontax factors in favor of, 479
  - property rights and, 481
  - sales and leasebacks, 488
  - sales taxes and other similar taxes collected from, 500
  - sales-type leases, 485–486, 485t, 487
  - subsequent developments, 489–491
  - tax benefits and, 478
- Leavitt, Jeffrey S., 536n13
- LeClere, Marc J., 224n24
- Legal capital, 554–555
- Legal defeasance, 406
- Legal-ethical question, 656

- Legal risk, derivatives and, 395, 418
- Legal systems, international accounting systems and, 80
- Lehman Brothers bankruptcy, 196–197
- Leone, Marie, 187n49
- Lessor operating leases, 487–488
- Letter to stockholders, 643
- Lev, Baruch, 144, 144n77, 191n55, 192n56
- Level 1 inputs, 284
- Level 2 inputs, 284
- Level 3 inputs, 284
- Leveraged leases, 488–489, 488f
- Levitt, Arthur, 9, 15, 18, 18n37, 193n59
- Lewis, B., 140n60
- L&G's research, 147
- Liabilities. *See also* Long-term liabilities
- capital structure and, 395
  - cash flow information and, 271
  - credit standing and, 59
  - current liabilities, 256–257, 305
  - debt vs. equity and, 397–400
  - definition of, 395–396
  - entity theory and, 395–396
  - forward contracts and, 400
  - freestanding written put options and, 400
  - long-term and other liabilities, 257
  - mandatorily redeemable financial instruments and, 397–400
  - proprietary theory and, 395–396
  - recognition and measurement of, 396–397
  - valuation, 257
- Libby, R., 140n60, 148n89
- LIBOR, 502–503
- Lieberman, Joseph, 559
- LIFO reserve, 312
- Limited liability, corporations and, 553
- Line-of-business reporting, 596
- Liquidation basis of accounting, 639–640
- Liquidity
- asset classification and, 263
  - cash flow from operations to current liabilities, 309
  - cash flow information and, 270–271
  - current and quick ratios, 308–309
  - long-term debt and, 426–428
  - working capital, 307–308
- Literature review, 65
- Littleton, A. C., 3n7, 33, 33n19, 180n35
- Loan impairments, 359–363
- Lock-up agreements, 645
- Loeb, Stephen E., 655n37
- Long-lived assets to be disposed by sale, 331
- Long-lived assets to be disposed of other than, 331
- Long-term assets. *See* Investments and intangibles; Property, plant, and equipment
- Long-term assets held and used, 331
- Long-term contracts, adjustments of accruals on, 218
- Long-term liabilities
- bond classifications and, 401
  - bond interest expense and, 404
  - bond issue costs and, 403
  - bond selling prices and, 401–403
  - bonds payable and, 400–401
  - call provisions and, 405–407
  - contingencies and, 413–414
  - convertible debt and, 407–411
  - debt vs. equity, 397–400
  - definition of liabilities, 395–396
  - derivatives and, 416–417, 418t
  - financial analysis of long-term debt, 426–428
  - financial statements and, 257
  - interest coverage ratio and, 427
  - interest rate benchmark reform, 435–436
  - international accounting standards and, 428–435
  - liability measurement issues and, 414–422
  - liquidity and, 426
  - long-term debt classification, 400–401
  - long-term notes payable and, 411–412
  - off-balance sheet financing, 415–416
  - recognition and measurement of liabilities, 396–397
  - reference rate reform, 422–423
  - short-term debt expected to be refinanced, 412
  - solvency and, 427–428
  - subsequent developments, 426
  - troubled debt restructurings and, 424–426
  - zero coupon bonds and, 404–405
- Long-term notes payable, 411–412
- Lorensen, Leonard, 604n47
- Losses, definition of, 209
- Loss, matching concept and, 180
- Loss rate method, 362
- Lowenstein, Roger, 125, 125n23
- Lower of cost or market (LCM) method, 297, 304, 305, 330, 354–355
- Low price-to-book ratio, 128
- Low price-to-earnings ratio, 128
- Lu, Richard (Hung-Yuan), 65n85
- M**
- MacKinlay, A. C., 135n54
- MacNeal, Kenneth, 157n10
- Madden, Donald L., 374n56
- Maines, Lauren A., 63n79, 229n33
- Management compensation plans, 138
- Management's discussion and analysis (MD&A), 234–235, 640–643
- disclosure of critical accounting estimates and, 643
  - disclosure of liquidity and capital resources and, 643
  - focus and content of, 643
  - market risk and, 640–643
  - overall presentation of, 642–643
- Managerial intent, 259, 347
- Mandatorily redeemable preferred stock (MRPS), 397–400, 552
- Mandelker, Gershon, 124n18
- Market approach, international accounting standards and, 285
- Market fluctuations, inventories and, 304–305
- Market rate, bonds and, 401
- Market risk
- definition of, 641
  - derivatives and, 418
  - market risk sensitive instruments, 641–642
- Market value
- debt vs. equity classification and, 398
  - equity securities investment and, 354
  - investments and, 297
- Markowitz, Harry, 133, 133n50
- Marques, Ama, 184n46
- Maslow, Abraham H., 155n4
- Matching concept, 180–182
- Material, definition of, 199–200
- Materiality, 183, 194
- change in definition of, 48–50
- Matsunaga, S. R., 559n26
- Maturity date, debt vs. equity classification and, 398
- Maturity value
- bonds and, 401
  - debt vs. equity classification and, 398
- McCullers, Levis D., 374n56
- McDaniel, Linda S., 229n33
- McDonald, E., 18n38
- McEwen, R. A., 593n23
- McGinty, Tom, 15n29, 263n13
- McNichols, Maureen F., 147n85
- McVay, S., 98n20
- Measurement, accounting, 160
- Meckling, W. H., 137n55, 138n57
- Merino, Barbara D., 141n64
- Merino, Barbara Dubis, 3n10
- Merrill Lynch, 648
- Metcalf, Lee, 658
- Metcalf subcommittee, 658
- Mezzanine items, 397
- Microsoft, 560
- Miller, Gregory S., 466n43
- Miller, M., 545n1, 565n32
- Miller, Paul B.W., 100n25
- Miller, R. R., 25n47
- Mill, John Stuart, 655n36
- Minimum lease payments (MLP), 483, 484, 502
- Minimum liability, pension benefits and, 526–527
- Minority interest, 416. *See also* Noncontrolling interest
- Modified accelerated cost recovery system (MARCS), 446n12
- Modigliani, F., 545
- Monetary-nonmonetary method, foreign currency translation and, 603

- Money income, 155  
Moonitz, Maurice, 33, 33n25, 156n6  
Moore, Underhill, 32  
Moore, William Underhill, 6, 6n15  
Morrison, Robert, 36  
Morris, T. W., 25n48  
Mortgage-backed securities (MBS), 117  
Mortgage bonds, 401  
Moscariello, Nicola, 184n44  
Moving average, 128  
Mulford, C. W., 593n23  
Muller, Karl A. III, 97n14  
Multiple entities. *See also* Business combinations  
    business combination considerations, 576–577  
    consolidation drawback and, 593  
    Consolidations acquisition method and, 582–583  
    consolidations and, 582–583  
    consolidation theories, 589–590  
    control concept and, 583–586  
    entity theory and, 589–590  
    foreign currency translation and, 601–602  
    fresh-start method and, 578  
    goodwill and, 592–593  
    international accounting standards and, 609–621  
    noncontrolling interest and, 590–591  
    parent company theory and, 590  
    phenomena related to, 575  
    pooling of interests method, 576–578  
    proportionate consolidation and, 591–594  
    purchase method and, 578–579  
    segment reporting and, 596–598  
    special-purpose entities, 586–587  
    variable interest entities, 587–589  
Munter, P., 148n89  
Murdock, B., 224n23  
Myers, John H., 451n5
- N**  
Nadar, Ralph, 22n39  
Natural capital, 143  
Natural resources discovery, 326  
Neglected stocks, 128  
Neimark, Marilyn D., 141n64  
Net income, 279  
Net-of-tax method of income tax allocation, 454–455  
Net operating losses (NOLs), 447–448, 454–455  
Net profit analysis, 236  
Net realizable value, 301  
Neutral earnings, 194  
Neutrality, accounting information and, 48  
New product development, 374  
New York Stock Exchange (NYSE), 5, 116  
Nicolaisen, Donald T., 97n15  
Nixon, Richard, 601n40
- Nonallocation argument, income taxes and, 448–450  
Noncash transactions, assets acquired, 324–325  
Noncompensatory stock option plans, 558  
Noncontrolling interest, 590–593  
    classification of, 591  
    entity theory and, 591  
    goodwill and, 592–593  
    noncontrolling interest in subsidiaries designation, 591  
    parent company theory and, 591  
    proportionate consolidation, 591  
    reporting of, 565  
Non-GAAP measures of performance, 183–186  
Nonhomogeneity exception, consolidations and, 584  
Nonrecurring fair value measurements, 286  
Nonrecurring items of income, 212  
    accounting changes, 219–220  
    discontinued operations, 213–217  
    extraordinary items, 217–219  
Norby, William C., 45  
Nord, Walter R., 141n68  
Normal cost, pension benefits and, 521  
Normative accounting theory, 136–139  
North American Free Trade Agreement (NAFTA), 78  
Norton, David, 142n72  
Norwalk Agreement, 96–97  
Notes receivable discounted, 413  
Not-for-profit entities (NFP), 579
- O**  
Objectives-oriented standards and, 64  
Off-balance sheet financing, 415–416, 477  
Olson, Norman O., 358n42  
Olson, W. E., 657n38  
Operating activities, cash flow from, 275–276  
Operating cycle, 294  
Operating lease model, 489  
Operating leases, 478–480, 484  
Operating segments, 598–599  
Operational risk, derivatives and, 418  
Options, 417, 418t  
Other comprehensive income, 564  
Other postretirement benefits (OPRBs), 532–534  
    amortization of prior service costs and, 533  
    amortization of transition obligations and, 533  
    differentiation from DBPPs and, 532  
    disclosures and, 534  
    expected postretirement benefit obligation and, 532  
    impact of, 16  
    interest and, 533  
    postemployment benefits, 534  
    service cost and, 533  
    *SFAS No. 132* and, 534  
    *SFAS No. 158* and, 534–535
- vesting and, 533  
Other-than-temporary impairment, 333  
Ownership interest, corporations and, 553
- P**  
Pacioli, Fra Luca, 2  
Padilla, Alexandre, 137, 137n56  
Paid-in capital (contributed capital), 554–555  
Parent company theory  
    consolidations and, 589  
    noncontrolling interest and, 590–591  
Parenthetical disclosures, 630  
Parlapiano, A., 118n7  
Partial allocation, income taxes and, 450–451  
Participating provisions, preferred stock and, 557  
Pashkoff, P. H., 25n47  
Pastena, Victor, 478n1  
Past service cost, pension benefits and, 521  
Paton, W. A., 30, 30n3, 31, 33, 33n18, 39, 180n36, 294n2, 365n34, 396n3, 547n4  
Paton, William A., Jr., 365n33  
Payables, 305–306  
Payment Ease, 376  
Peasnell, K., 41, 41n47  
Pension Benefit Guarantee Corporation (PGBC), 532  
Pension liability, 229  
Pension Protection Act of 2006, 519  
Pensions/postretirement benefits. *See also* Other postretirement benefits (OPRBs)  
    accounting for pension funds, 529–530  
    accrued benefit valuation method and, 537  
    accumulated benefits approach and, 520  
    accumulated benefits obligation and, 519  
    actuarial gains and losses and, 521, 526  
    actuarial present value of accumulated benefits with salary progression, 524  
    *APB Opinion No. 8* and, 520–524  
    averaging actuarial gains and losses and, 521  
    basic accounting method and, 522  
    benefit approach and, 520  
    benefits/years of service approach and, 520  
    corridor approach and, 526  
    defined benefit plans and, 518  
    defined contribution plans and, 518  
    delaying recognition of certain events, 524  
    disclosures and, 527–528  
    Employee Retirement Income Security Act (ERISA), 531–532  
    experience gains and, 526  
    financial analysis of, 536  
    funded status and, 527  
    funding agencies and, 518  
    gains and losses and, 526  
    historical perspective and, 520  
    interest cost component and, 525  
    international accounting standards and, 537–539  
    maximum annual provision for, 522

- minimum annual provision for, 522
  - minimum liability and, 526–527
  - minimum liability recognition, 526–527
  - net pension cost, 526
  - normal cost and, 521
  - offsetting assets and liabilities and, 524
  - other postretirement benefits, 532–534
  - past service cost and, 521
  - pension liability issue, 523–524
  - prior service costs and, 521, 526
  - projected benefits obligation and, 520
  - projected benefit valuation method and, 528, 537
  - reporting net cost and, 524
  - reporting of minimum liability and, 529
  - return on plan assets and, 526, 529
  - service cost component and, 525
  - settlement-basis discount rate, 525
  - settlement rate and, 528–529
  - SFAS No. 87* and, 524–526, 528–529
  - spreading actuarial gains and losses and, 521
  - transition amount and, 526
  - unrecognized net asset and, 526
  - unrecognized net obligation and, 526
  - Percentage of completion, 163
  - Performance obligation approach, leasing and, 490
  - Period costs, 181–182
  - Periodic inventory system, 302
  - Periodic maintenance, property, plant, and equipment and, 329
  - Permanent differences between pretax income and taxable income, 444–445
  - Perpetual records method, 302
  - Per value method, treasury stock and, 563
  - Phillips, David M. H., 143n73
  - Physical capital maintenance, 156
  - Physical risks, 202
  - Pitney Bowes, 192
  - Pitt, Harvey L., 61, 61n76
  - Political systems, international accounting systems and, 80
  - Pooling of interests method, business combinations and, 577–578
  - Positive accounting theory, 136–139
  - Post-earnings announcement drift, 128
  - Postemployment benefits, 534
  - Post implementation reviews (PIR), 89
  - Potential dilution of earnings per share, debt vs. equity classification and, 398
  - Powell, Weldon, 7, 7n18
  - Powers Committee Report, 23
  - Powers, William C., 23
  - Practice development, 656
  - Pragmatic approach, research methodology and, 119
  - Pratt, J., 467n45
  - Preemptive right, debt vs. equity classification and, 398
  - Preferred stock, 553–562
    - call provisions and, 556
    - characteristics, 258
    - conversion feature and, 555–556
    - cumulative provisions and, 557
    - participating provisions and, 557
    - redemption provision and, 557
    - stock options and warrants, 557–561
  - Preliminary Views on Revenue Recognition in Contracts with Customers*, 168
  - Prepaid expenses, 253–254
  - Prepaid items, 305
  - Present-value measurements, 57–60, 158
  - Previts, Gary John, 3n10
  - Price-level information, 632
  - Price-to-earnings ratio (P/E ratio), 237–238
  - Principle of conservatism, 182
  - Principles-based accounting standards, 61–64
  - Prior period adjustments, 230–232
  - Prior service costs
    - amortization and, 533
    - pension benefits and, 521, 526
  - Probability of default method, 362
  - Product costs, 181
  - Product improvement, 374
  - Production process
    - revenue recognized at completion of, 163–164
    - revenue recognized during, 163
  - Profit-margin ratio (PMR), 267
  - Projected benefit obligation, pension benefits and, 520
  - Projected benefits approach, 528
  - Projected benefit valuation method, 537
  - Projected unit credit method, pension benefits and, 520
  - Property abandonment, 218
  - Property, plant, and equipment. *See also* Depreciation
    - accounting for asset retirement obligations, 333–335
    - accounting for cost, 321–322
    - accounting objectives and, 321
    - capital and revenue expenditures, 329–330
    - cost allocation, 326–327
    - depreciation, 327–328
    - donated and discovery values, 325–326
    - financial analysis of, 326
    - fixed overhead allocation and, 323
    - group purchases, 322
    - impairment of value, 330–333
    - interest charge capitalization and, 323
    - international accounting standards, 335–341
    - natural resources discovery and, 326
    - periodic maintenance and, 329
    - recognition and measurement issues, 330
    - removal of existing assets, 323
    - return-on-assets ratio and, 326
    - self-constructed assets, 368
  - Property rights, 477, 481
  - Proportionate consolidation, 592
  - Proprietary theory, 396, 546
  - Prospective method, cash flow changes and, 60
  - Prospect theory, 129
  - Proxy statements, 646
  - Psychic income, 155
  - Public Company Accounting Oversight Board (PCAOB), 648
    - CPA firm reviews and, 650
    - duties of, 649
    - establishment of, 25
    - power of, 649
    - prohibited services and, 651
    - standard setting process and, 649
  - Pulliam, S., 15n29, 192n57, 263n13
  - Purchase method, business combinations and, 578–579
  - Put options, 226, 400
- Q**
- Qualitative characteristics, accounting information and, 47–48, 47f
  - Quasi-reorganizations, 564–565
- R**
- Radin, Arthur J., 146n82
  - Ramakrishnan, Ram T. S., 237n43
  - Random walk, 123n15
  - Rational market theory, 126
  - Rayburn, Frank R., 442n2
  - Real income, 155
  - Realizable cost savings, 160
  - Realization principle, 159
  - Realized capital gains, 160
  - Realized cost savings, 160
  - Receivables, 300–301
  - Reconciliation method, cash flow and, 276
  - Recoverable amount, 338
  - Recurring fair value measurements, 286
  - Redeemable preferred stock, 397
  - Redemption provisions, preferred stock and, 552, 557
  - Reduced transaction fees, 377
  - Reference dependence, 131
  - Reference rate reform, 422–423
  - Reither, C., 161n15
  - Relevant financial information, 47
  - Rental payments, 488
  - Replacement cost, 156–157
  - Repo 105, 196–197
  - Reportable segments, 599
  - Reporting Entity, 46
  - Reporting entity changes, 220
  - Reporting entity, foreign currency translation and, 608
  - Representativeness heuristic, 131
  - Research and development costs, 373–375
    - classification of, 374
    - immediate expensing of, 374
    - relevant activities and, 375

- Research methodology, 118–120  
   behavioral approach, 120  
   deductive approach, 119  
   education and practice and, 147–149  
   ethical approach, 120  
   inductive approach, 119  
   pragmatic approach, 119  
   scientific method of inquiry, 119–120  
 Residual equity theory, 550  
 Restructured loans, 426  
 Retail method, inventories and, 302  
 Retained earnings, 258, 562–564  
 Retirement, asset, 333–335  
 Retrospective application, 220  
 Retrospective method, cash flow changes and, 60  
 Return-on-assets (ROA), 266–268, 326, 565–566  
 Return on common shareholders' equity (ROSCE), 565–566  
 Return on plan assets, pension benefits and, 526  
 Revaluation, foreign currency translation and, 602  
 Revenue(s)  
   definition of, 209  
   improper revenue recognition, 194  
   matching concept and, 180–182  
   persistence of, 234  
   recognition and realization, 161–163  
   recognized as cash is received, 164  
   recognized as services are performed, 164  
   recognized at completion of production, 163–164  
   recognized during the production process, 163  
   recognized on the occurrence of some event, 164  
   sources of, 234  
 Revenue recognition, 159, 161–163  
 Revenue Reconciliation Act of 1993, 369n44  
 Reverse treasury stock method, 226  
 Right to enforce payments, debt vs. equity classification and, 399  
 Risk types, 134–135  
 Robinson, L. E., 209n3  
 Roll rate method, 362  
 Ronen, J., 25n48  
 Rosenfield, Paul, 592n22  
 Rubinstein, Mark E., 395n1  
 Rubin, Steven, 592n22  
 Rule 203 of the Code of Professional Ethics, 8  
 Rules-based accounting standards, 61–64  
  
**S**  
 Safe harbor rule for protection, 641n25  
 Safety, health, and convenience, 374  
 Sale and leaseback transitions, 488  
 Sales-type leases, 485–486, 485t, 487  
 Sanders, Thomas H., 6, 6n15, 32, 32n17  
 Sandford, A., 118n6  
  
 Sansing, Richard C., 466n40  
 Sarbanes-Oxley Act of 2002 (SOX)  
   accounting scandals and, 24  
   accounting standards and, 649  
   acts that influence the conduct of an audit and, 651  
   auditing, quality control, and independence standards and, 649–650  
   CEO and CFO certification and, 651  
   company financial statement certification and, 26  
   compliance costs and, 652n30  
   CPA firm inspection and, 650  
   criticisms of, 25  
   FASB funding and, 25  
   internal controls and, 635  
   passage of, 25  
   prohibited services and, 650–651  
   Public Company Accounting Oversight Board creation and, 25, 648–649  
   Section 108 of, 10  
   Section 404 of, 651–653  
 Schauer, David, 16n31  
 Schedules and exhibits, 627  
 Schipper, Katherine, 63, 63n80  
 Schmandt-Besserat, Denise, 2, 2n3  
 Schneewind, J. B., 655n36  
 Schroeder, R. G., 16n31, 263n17, 652n33  
 Schultz, George, 561  
 Scientific method of inquiry, 119–120  
 Scope of services, 655  
 Scott, D. R., 31, 31n8, 32, 120n11  
 Seasoned equity offerings, 128  
 Section 404 of Sarbanes-Oxley Act, 651–653  
 Securities Act of 1933, 5, 646  
 Securities and Exchange Commission (SEC)  
   *Accounting Series Release (ASR) No. 148*, 296  
   accounting standards establishment and, 650  
   advisory committee (2008) report and, 653–654  
   auditing, quality control, and independence standards establishment and, 649–650  
   auditor's report and, 632–638  
   creation, 5  
   derivatives and, 420  
   early extinguishment of debt and, 405  
   earnings quality and, 192  
   fair value accounting study, 263  
   Foreign Corrupt Practices Act of 1977, 648  
   Form 10 and, 646  
   Form 10-K and, 646  
   Form 10-Q and, 646  
   historical cost, 254  
   income tax disclosure requirements and, 462  
   inspection of CPA firms and, 650  
   international accounting standards and, 97–100  
   line-of-business reporting and, 596  
   management's discussion and analysis and, 640–643  
   prohibited services delineation and, 650–651  
   prohibition of acts that influence the conduct of an audit and, 651  
   proxy statements and, 649  
   Public Company Accounting Oversight Board creation and, 649–650  
   redeemable preferred stock and, 397  
   reporting on tax contingencies and, 462, 466n42  
   requirement for CEO and CFO certification and, 651  
   requirement for specified disclosures and, 651  
   Sarbanes–Oxley Act of 2002 (SOX), 648  
   Section 404 of SOX and, 651–653  
   Securities Act of 1933, 646  
   Securities Exchange Act of 1934, 646–647  
   Securities Exchange Act of 1934, 5, 646–647  
   Securities held to maturity, 299  
   Security analysts, 122  
   Security/Control Issues, 377  
 Segment reporting, 596–601  
   competitive factors and, 599  
   disclosed information and, 599–600  
   disclosures and, 597  
   existing profit centers and, 598  
   identifiable assets and, 597  
   industry segment, 597  
   investor expectations and, 599  
   management organization and, 599  
   operating profit and loss and, 597  
   operating segments and, 598–599  
   proponents of, 596  
   reportable segments, 597–599  
   revenue and, 598  
   transfer pricing problem and, 598  
 Self-constructed assets, 322–323  
 Selling at a discount, bonds and, 402  
 Selling at a premium, bonds and, 402  
 Selling, Thomas I., 100n26, 147n84, 180, 180n35  
 Selling, Tom, 49n54  
 Sell side analysts, 644  
 September 11 terrorist attacks, 219  
 Service cost component, pension benefits and, 525  
 Service cost, other postretirement benefits and, 533  
 Services, revenue recognized and, 164  
 Settlement-basis discount rate, pension benefits and, 525, 528–529  
 Share-based payment transactions, 568  
 Share options, 568  
 Sharpe, William F., 133n51  
 Shenkir, William, 559n25  
 Sherman, H. David, 74n90  
 Shevlin, Terry T., 467n45  
 Shildneck, Barbara J., 14n24

- Shiller, Robert J., 130n37
- Shockley, R., 135n54
- Short-term debt expected to be refinanced, 412
- Short-term investments, 297–298
- Simkovic, Michael, 125n27
- Simple capital structure, 224
- Size effect, 128
- Skantz, T. R., 139n58
- Skilling, Jeffrey, 22, 648
- Skinner, D. J., 194, 194n60, 466n43
- Sloan, R., 148n89
- Small and medium-sized entities (SMEs), 100
- Small probabilities, prospect theory and, 129
- Smith, A., 30n1
- Social and relationship capital, 143
- Social biases, 132
- Solomons, David, 56n68
- Solvency, 271, 427
- Sorter, George, 36, 36n37
- Soujanen, Waino, 549n12
- Special Committee on Research Programs, 33
- Special-purpose entities (SPEs), 22, 587
- Specific price index, 157
- Specific purchasing power index, 157
- S&P game, 128
- Sprouse, Robert T., 33, 156n6, 159n12, 160n14
- Staff Accounting Bulletin *No. 8*, 232
- Staff Accounting Bulletin (SAB) No. 101*, 165–166
- Standards overload, international accounting and, 100–101
- Standards overload problem, 13–14
- Stated interest rate, bonds and, 402
- Statement of Accounting Principles*, 6
- A Statement of Basic Accounting Theory (ASOBAT)*, 36
- Statement of cash flows, 67, 269–279
- APB *Opinions No. 3 and No. 19* and, 269–270
- cash flow from investing activities, 276–277
- cash flow from operating activities, 275–276
- cash-flow information, 270–271
- cash flows from financing activities, 277
- evaluation of, 269
- purposes of, 272
- SFAS *No. 95* and, 271–272
- Statement of changes in net assets in liquidation, 640
- Statement of comprehensive income, 239
- Statement of financial position, 38, 279
- Statement of net assets in liquidation, 640
- Statement of Protocols for Cooperation on International Financial Reporting Standards, 95
- Statement on Accounting Theory and Theory Acceptance (SATTA)*, 38–41
- allocation problem and, 40
- classical approach and, 39
- cost-benefit considerations and, 40
- criticisms of approaches to theory, 40–41
- data expansion limitations and, 40
- decision-usefulness approach and, 39–40
- evaluation of, 41
- information economics and, 40
- normative standards and, 40
- relating theory to practice and, 40
- security price behavior research and, 40
- Statements of Financial Accounting Concepts (SFAC), 11
- No. 1* (Objectives of Financial Reporting by Business Enterprises), 270, 272
- No. 1* (Objectives of Financial Reporting by Business Enterprises), 44
- No. 2* (Qualitative Characteristics of Accounting Information), 44
- No. 3* (Elements of Financial Statements of Business Enterprises), 44
- No. 3* (now SFAC *No. 6*), 528
- No. 4* (Objectives of Financial Reporting by Nonbusiness Organizations), 44
- No. 5* (Recognition and Measurement in Financial Statements of Business Enterprises), 44, 55–56, 211, 272, 396, 626–627, 627f
- No. 6* (Elements of Financial Statements of Business Enterprises), 44, 164n19, 209, 403, 412, 453, 455, 459, 550–551, 591
- No. 7* (Using Cash Flow Information and Present Value in Accounting Measurements), 44, 57–60, 331, 333
- No. 8* (Conceptual Framework for Financial Reporting), 44, 51, 183, 208, 270, 272, 325, 330
- No. 8* (Elements of Financial Statements of Business Enterprises), 351, 395, 528
- Statements of Financial Accounting Standards (SFAS), 11
- No. 76*, extinguishment of debt, 406
- No. 5*, on accounting for contingencies, 413, 534
- No. 91*, 486
- No. 96*, on accounting for income taxes, 443, 448, 455–456, 458
- No. 95*, on cash flow, 271–272, 276, 296
- No. 154*, on accounting changes, 220
- No. 116*, on accounting for contributions, 325
- No. 100*, on accounting for income taxes, 456n29
- No. 103*, on accounting for income taxes, 456n30
- No. 109*, on accounting for income taxes, 443, 445n11, 446, 448, 456–457, 466
- No. 106*, on accounting for postretirement benefits, 532
- No. 112*, on accounting for postretirement benefits, 534
- No. 143*, on asset retirement obligations, 333
- No. 141*, on business combinations, 370, 578–580, 589, 591, 592
- No. 168*, on codification and hierarchy of generally accepted accounting principles, 18
- No. 130*, on comprehensive income, 161, 228
- No. 35*, on defined benefit pension plans, 524, 531
- No. 133*, on derivatives and hedging, 416, 419
- No. 105*, on disclosure, 416, 418, 551
- No. 107*, on disclosure, 418, 551
- No. 128*, on earnings per share, 224
- No. 158*, on employers' accounting for defined benefit pensions and other postretirement plans, 534–536
- No. 87*, on employers' accounting for pensions, 524–529
- No. 132*, on employers' disclosures about pensions and other postretirement benefits, 534
- No. 159*, on fair value, 350, 363–364, 397, 403
- No. 157*, on fair value measurements, 157–159
- No. 125*, on financial assets, 364
- No. 150*, on financial instruments, 397, 547, 552
- No. 8*, on foreign currency transactions, 46–55, 605–609
- No. 52*, on foreign currency transactions, 447n16
- No. 142*, on goodwill and intangible assets, 368, 369–373
- No. 162*, on hierarchy of generally accepted accounting principles, 18
- No. 34*, on interest costs, 323
- No. 13*, on leases, 61, 479–483, 506, 586
- No. 121*, on long-lived assets, 330
- No. 12*, on marketable securities, 298, 298n11, 352, 354
- No. 160*, on noncontrolling interests in consolidated financial statements, 548, 565, 589
- No. 153*, on nonmonetary transactions, 325
- No. 164*, on not for profit entities: mergers and acquisitions, 579
- No. 144*, on present value measurement, 214, 215, 331, 333, 339
- No. 16*, on prior period adjustments, 232
- No. 145*, on reporting and extraordinary item, 219n14, 406n19
- No. 33*, on reporting cost information, 159, 632
- No. 14*, on reporting for segments of business enterprises, 597
- No. 4*, on reporting gains and losses, 406
- No. 114*, on reporting investments, 301, 359–360, 425
- No. 115*, on reporting investments, 159, 298, 347, 354

- Statements of Financial Accounting Standards (SFAS), (*cont.*)
- No. 2*, on research and development, 366, 374–375
  - No. 131*, on segment reporting, 370, 371, 596, 597
  - No. 123*, on stock based compensation, 559
  - No. 140*, on transfers of financial assets, 364, 586
  - No. 15*, on troubled debt restructurings, 425
  - No. 167*, on variable interest entities, 587
  - No. 123R*, 560, 561
  - No. 141R*, 580
  - No. 36*, 523
  - No. 7*, using cash flow measurements and present value measurements in accounting, 158
- Staubus, George J., 550n13
- Stephan, A., 97n16
- Stephens, L., 218n11
- Sterling, R. R., 2n2, 36, 36n38, 157n8, 182n39
- Stewart, J. P., 31n7
- Stober, T. L., 98n20, 126n29
- Stock buybacks, 128
- Stock dividends, 562–563
- Stocken, P., 98n20
- Stockholders' equity
- derivatives and, 416
  - financial analysis of, 565–566
- Stock option plans, 193
- Stock options and warrants, 557–561
- APB Opinion No. 25* and, 558–559
  - compensatory stock option plans, 558
  - fair value method and, 560
  - FASB ASC 718* and, 559–561
  - noncompensatory stock option plans, 558
  - stock warrants, 561–562
- Stock splits, 563
- Stock subscriptions, corporations and, 555
- Stock warrants, 561–562
- Storey, R. K., 33n20, 56n67
- Storey, Sylvia, 56n67
- Straight-line amortization, 357
- Straight-line depreciation, 328–329
- Straight-line method, bond interest expense and, 404
- The Strategic Resources and Consequences Report (SRCR), 145
- Strikes, 218
- Stulz, R. M., 131n45
- Subprime loan, 117, 117n3
- Subramanyam, K. R., 230n36
- Subsequent events, 630
- Summers, Scott L., 149n93
- Sunbeam, 24, 194–195
- Sunbeam Case, 194–195
- Sunstein, Cass R., 130n42
- Supplementary information, 632–640
- auditor's report and, 632–633
  - interim financial statements, 638–639
  - liquidation basis of accounting and, 639–640
  - price-level information, 632
- Supplementary schedules, 627
- Supply and demand curves, 122–123, 122f
- Sustainability accounting, 186–187
- Sustainability Accounting Standards Board (SASB), 189
- Sustainability reporting, 186–187
- current status of, 190
  - economic sustainability, 188–189
  - environmental sustainability, 187–188
  - IASB, 200–203
  - Shell sustainability report, 190–191
  - social aspect of sustainability, 188
- Sustainable income, 210, 211
- Swaps, 418t
- Swieringa, R., 148n89
- Systematic risk, 134
- Systems risk, derivatives and, 418
- T**
- Tax benefits, leasing and, 478
- The Tax Cuts and Jobs Act of 2017, 463–465
- Tax Reform Act of 1986, 455
- Technical analysis, 128
- Technical anomalies, 127, 128
- Temporal method, foreign currency translation and, 604–605
- Temporary differences between pretax income and taxable income, 444–447
- Temporary investments, 297–300
- Termination benefits, 538
- Thaler, Richard H., 129, 130n38, 130n42, 130n44, 131n45
- Thiagarajan, R., 192n56
- Thomas, Arthur L., 327n9
- Thomas, Jacob K., 237n43
- Thompson, Robert B. II, 224n24
- Timeliness, accounting information and, 48
- Timing differences, income taxes and, 446
- Tinker, Anthony M., 141n64
- Trade-ins, 324
- Trading range break, 128
- Trading securities, 298, 356
- Traditional approach, present value and, 58
- Transaction-based accounting, 159
- Transaction price presumption, fair value measurements and, 260–261
- Transfer pricing problem, segment reporting and, 599
- Transfers of financial assets, 364–365
- Transition amount, pension benefits and, 526
- Transition obligations, amortization and, 533
- Transition risks, 202
- Treasury bond index, 519
- Treasury stock, 258, 563–564
- cost method and, 563
  - disclosure requirements for, 564
  - per value method and, 564
- Treasury stock method, 226
- Trezevant, Robert, 230n36
- Troubled debt restructurings, 424–426
- modification of terms, 424–425
  - satisfaction of the debt through an asset or equity swap, 426
- Trueblood Committee, 9, 36–38
- Trueblood, Robert, 9
- Turner, Lynn E., 6n15, 49
- Turn-of-the month effect, 128
- Turn-of-the-year effect, 128
- Tversky, A., 129n35
- Tyco, 23, 648
- Tyco International, 192
- U**
- Unconditional purchase obligations, 416
- Understandability, accounting information and, 48
- Underwriters, 555
- United Brands, 406
- Units of activity, depreciation and, 329
- Unrealized gross profit on installment sales, 412
- Unrealized holding gains and losses, 160, 229
- Unrecognized net asset, pension benefits and, 526
- Unrecognized net obligation, pension benefits and, 526
- Unsecuritized debt, impairment of investments in, 359–363
- Unsystematic risk, 134
- Unusual nature, extraordinary transactions and, 219
- Useful service life, depreciation and, 328
- U.S. Financial Crisis Inquiry Commission, 127
- U.S. v. Arthur Young and Co. et al.* (1984), 22n40
- Utilitarianism, 655
- V**
- Valuation allowance, 457–459
- Value anomalies, 127
- Value creation reporting, 142–147
- enhanced business reporting model, 143
  - integrated reporting, 143
  - intellectual capital reports, 143
  - Key Performance Indicator (KPI), 142
  - Value Reporting Revolution, 143
- Value in use, 338
- Value of corporate earnings, 233
- Value Reporting Revolution, 143
- Van Daniker, Relmond P., 374n56
- Variable interest entities (VIEs), 22n42, 587–589
- Vatter, William J., 35n26, 548n9
- Veblen, Thorstein, 31

- Verifiability, accounting information and, 48  
Visibility theory of accounting, 139  
Voice in management, debt vs. equity classification and, 398  
Volcker, Paul, 25, 125, 125n24
- W**  
Wahlen, James, 193n58  
Waiting periods, going public and, 646  
Walt Disney Company, 559  
Wang, Zach Z., 147n85  
Warranty obligations and rights, 416  
Waste Management, 24  
Watergate investigation, 657  
Wealth, 247  
Weekend effect, 128  
Weil, R. L., 156n6  
Westbrook, J., 263n16  
Wheat Committee, 9  
Wheat, Francis, 9  
White, M. J., 100n24  
White, M. J., 184n43  
Wilks, T. Jeffrey, 149n93  
Williamson, J., 125n21  
Wilson, G. Peter, 126n29  
Windfall gains and losses, 160  
Windfall profits tax, 139
- Wolfe, Michael C., 97n13  
Wood, D. A., 148n89, 149n93  
Working capital. *See also* Inventories  
    accounts payable turnover ratio and, 313–314  
    accounts receivable turnover ratio and, 310  
    acid test (quick) ratio and, 308  
    bankruptcy of major customer and, 311  
    cash and, 296  
    cash equivalents and, 296–297  
    components of, 295–306  
    concept development and, 293–295  
    current assets and, 296–305  
    current liabilities and, 305–306  
    current maturities and, 306  
    current ratio and, 307  
    current usage and, 295  
    deferrals and, 306  
    evaluating efficiency, 310–314  
    evaluating liquidity, 307–309  
    flow assumptions and, 302–304  
    international accounting standards and, 314–315  
    inventories and, 301–305  
    inventory quantity and, 302  
    LIFO reserve and, 312  
    liquidity problems and, 307  
    management of, 306–314  
    market fluctuations and, 304–305  
    payables and, 305–306  
    prepaid items and, 305  
    receivables and, 300–301  
WorldCom, 23, 230, 648  
Write-downs, 218  
Write-offs, 218  
Written put options, 236  
Wyatt, Arthur R., 575n1
- X**  
Xerox, 648
- Y**  
Yang, J. M., 368n41  
Yield rate, bonds and, 402  
Yi, Han S., 97n13  
Yohn, T. L., 98n20, 148n89  
Young, J., 60n73, 141n65  
Young, S. D., 74n90, 467n45
- Z**  
Zeff, S. A., 17n32, 30n2, 86n5, 248n1  
Zenon papyri, 2, 2n5  
Zero coupon bonds, 404–405  
Zhang, I. X., 652n29





