

# CONTENTS

## PREFACE, v

### **1 THE DEVELOPMENT OF ACCOUNTING THEORY, 1**

- The Early History of Accounting, 2
- Accounting in the United States Since 1930, 5
- The Role of Ethics in Accounting, 22
- International Accounting Standards, 26
- Cases, 27
- FASB ASC Research, 29
- Room for Debate, 29

### **2 THE PURSUIT OF THE CONCEPTUAL FRAMEWORK, 30**

- The Early Theorists, 30
- Early Authoritative and Semiauthoritative Attempts to Develop the Conceptual Framework of Accounting, 32
- Statement on Accounting Theory and Theory Acceptance, 38
- The FASB's Conceptual Framework Project, 41
- International Convergence, 66
- Cases, 74
- FASB ASC Research, 76
- Room for Debate, 77

### **3 INTERNATIONAL ACCOUNTING, 78**

- International Business Accounting Issues, 79
- The Development of Accounting Systems, 79
- Preparation of Financial Statements for Foreign Users, 81
- The International Accounting Standards Committee, 81
- The Uses of International Accounting Standards, 92
- The IASC and the IOSCO, 94
- The IASB Annual Improvements Project, 95
- IASB–FASB Convergence, 96
- The Effects of International versus US GAAP Accounting Standards, 97
- Standards Overload, 100
- Framework for the Preparation and Presentation of Financial Statements, 101
- The IASB–FASB Financial Statement Presentation Project, 110
- Cases, 112
- FASB ASC Research, 114
- Room for Debate, 114

---

**4 THE STATUS, DEVELOPMENT AND USES OF FINANCIAL REPORTING, 115**

---

- The Financial Reporting Environment, 115
- Research Methodology, 118
- The Outcomes of Providing Accounting Information, 121
- The Relationship Among Accounting Research, Education, and Practice, 147
- Cases, 149
- FASB ASC Research, 152
- Room for Debate, 153

**5 INCOME CONCEPTS, REVENUE RECOGNITION, AND OTHER METHODS OF REPORTING, 154**

---

- The Nature of Income, 155
- Economic Versus Accounting Income, 159
- Revenue Recognition, 161
- Matching, 180
- Income Recognition Constraints, 182
- Non-GAAP Measures of Performance, 183
- Sustainability Reporting, 186
- Earnings Quality, Earnings Management, and Fraudulent Financial Reporting, 191
- International Accounting Standards, 197
- Cases, 203
- FASB ASC Research, 206
- Room for Debate, 207

**6 FINANCIAL STATEMENT I: THE INCOME STATEMENT, 208**

---

- The Economic Consequences of Financial Reporting, 208
- Income Statement Elements, 208
- Statement Format, 210
- The Value of Corporate Earnings, 233
- International Accounting Standards, 238
- Cases, 243
- FASB ASC Research, 246
- Room for Debate, 246

**7 FINANCIAL STATEMENTS II: THE BALANCE SHEET AND THE STATEMENT OF CASH FLOWS, 247**

---

- The Balance Sheet, 247
- Fair Value Measurements, 259
- Evaluating a Company's Financial Position, 266
- The Statement of Cash Flows, 269
- Financial Analysis of Cash-Flow Information, 279
- International Accounting Standards, 280
- FASB ASC Research, 291
- Room for Debate, 292

---

**8 WORKING CAPITAL, 293**

- Development of the Working Capital Concept, 293
- Current Usage, 295
- Components of Working Capital, 295
- Working Capital Management, 306
- International Accounting Standards, 314
- Cases, 316
- FASB ASC Research, 319
- Room for Debate, 319

---

**9 LONG-TERM ASSETS I: PROPERTY, PLANT, AND EQUIPMENT, 321**

- Property, Plant, and Equipment, 321
- Financial Analysis of Property, Plant, and Equipment, 326
- Cost Allocation, 326
- Capital and Revenue Expenditures, 329
- Recognition and Measurement Issues, 330
- Impairment of Value, 330
- Accounting for Asset Retirement Obligations, 333
- International Accounting Standards, 335
- Cases, 341
- FASB ASC Research, 345
- Room for Debate, 346

---

**10 LONG-TERM ASSETS II: INVESTMENTS AND INTANGIBLES, 347**

- Investments in Equity Securities, 347
- Investments in Debt Securities, 355
- Impairment of Investments in Unsecuritized Debt Including Receivables and Loans, 359
- The Fair Value Option for Financial Assets, 363
- Transfers of Financial Assets, 364
- Cryptocurrency, 376
- Financial Analysis of Investments and Intangibles, 379
- International Accounting Standards, 379
- Cases, 390
- FASB ASC Research, 394
- Room for Debate, 394

---

**11 LONG-TERM LIABILITIES, 395**

- The Definition of Liabilities, 395
- Recognition and Measurement of Liabilities, 396
- Debt versus Equity, 397
- Classification of Long-Term Debt, 400
- Other Liability Measurement Issues, 414
- Reference Rate Reform, 422
- Troubled Debt Restructurings, 424

Financial Analysis of Long-Term Debt, 426  
International Accounting Standards, 428  
Cases, 437  
FASB ASC Research, 440  
Room for Debate, 441

---

**12 ACCOUNTING FOR INCOME TAXES, 442**

---

Historical Perspective, 442  
The Income Tax Allocation Issue, 444  
Permanent and Temporary Differences, 444  
Conceptual Issues, 448  
Alternative Interperiod Tax Allocation Methods, 452  
Financial Statement Disclosure, 460  
*FIN* No. 48, "Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement No. 109", 462  
The Tax Cuts and Jobs Act of 2017, 463  
Financial Analysis of Income Taxes, 466  
International Accounting Standards, 469  
Cases, 472  
FASB ASC Research, 475  
Room for Debate, 476

---

**13 LEASES, 477**

---

Accounting for Leases, 478  
Subsequent Developments, 489  
ASU 2016-02 (FASB ASC 842), 491  
Lease Agreements Affected by ASU 2020-04 Reference Rate Reform, 502  
Financial Analysis of the Effects of Capitalizing Operating Leases, 503  
International Accounting Standards, 506  
Cases, 511  
FASB ASC Research, 516  
Room for Debate, 517

---

**14 PENSIONS AND OTHER POSTRETIREMENT BENEFITS, 518**

---

Historical Perspective, 520  
Accounting for the Pension Fund, 531  
The Employee Retirement Income Security Act, 531  
Other Postretirement Benefits, 532  
Postemployment Benefits, 534  
SFAS NO. 132, 534  
SFAS No. 158, 534  
Financial Analysis of Pension and Other Postretirement Benefits, 536  
International Accounting Standards, 537  
Cases, 539  
FASB ASC Research, 543  
Room for Debate, 544

---

**15 EQUITY, 545**

- Theories of Equity, 545
- Definition of Equity, 550
- The Distinction Between Debt and Equity, 551
- Reporting Equity, 553
- Financial Analysis of Stockholders' Equity, 565
- International Accounting Standards, 567
- Cases, 569
- FASB ASC Research, 573
- Room for Debate, 574

---

**16 ACCOUNTING FOR MULTIPLE ENTITIES, 575**

- Business Combinations, 575
- Accounting for Business Combinations, 576
- Consolidations, 582
- Theories of Consolidation, 589
- Noncontrolling Interest, 590
- Drawbacks of Consolidation, 593
- Special Purpose Acquisition Companies, 594
- Segment Reporting, 596
- Foreign Currency Translation, 601
- International Accounting Standards, 609
- Cases, 621
- FASB ASC Research, 624
- Room for Debate, 625

---

**17 FINANCIAL REPORTING DISCLOSURE REQUIREMENTS AND ETHICAL RESPONSIBILITIES, 626**

- Recognition and Measurement Criteria, 626
- Areas Directly Affected by Existing FASB Standards: Supplementary Information, 632
- Financial Reporting: Other Means of Financial Reporting, 640
- All Information Useful for Investment, Credit, and Similar Decisions: Other Information, 643
- Securities and Exchange Commission Disclosure Requirements, 645
- Ethical Responsibilities, 655
- International Accounting Standards, 663
- Cases, 666
- FASB ASC Research, 670
- Room for Debate, 670

**INDEX, I-1**

