

Students Solve the Accounting Puzzle

The approach used by Hoyle, Schaefer, and Douppnik allows students to think critically about accounting, just as they will in their careers and as they prepare for the CPA exam. Read on to understand how students will succeed as accounting majors and as future CPAs by using *Fundamentals of Advanced Accounting, 5e*.

Thinking Critically

With this text, students gain a well-balanced appreciation of the accounting profession. As *Hoyle 5e* introduces them to the field's many aspects, it often focuses on past controversies and present resolutions. The text shows the development of financial reporting as a product of intense and considered debate that continues today and will in the future.

Readability

The writing style of the four previous editions has been highly praised. **Students easily comprehend** chapter concepts because of the conversational tone used throughout the book. The authors have made every effort to ensure that the writing style remains engaging, lively, and consistent.

Real-World Examples

Students are better able to relate what they learn to what they will encounter in the business world after reading these frequent examples. Quotations, articles, and illustrations from *Forbes*, *The Wall Street Journal*, *Time*, and *BusinessWeek* are incorporated throughout the text. Data have been pulled from business, not-for-profit, and government financial statements as well as official pronouncements.

Discussion Questions

This feature **facilitates student understanding** of the underlying accounting principles at work in particular reporting situations. Similar to minicases, these questions help explain the issues at hand in practical terms. Many times, these cases are designed to demonstrate to students why a topic is problematic and worth considering.

EXHIBIT 2.1
Recent Notable Business Combinations

Acquirer	Target
Merck	Schering-Plough
Comcast	NBC Universal
Century Link	Qwest Communicat
MetLife	American Life Insura
The Coca-Cola Company	Coca-Cola Enterpris
Intel	McAfee
Oracle	Sun Microsystems
United Airlines	Continental Airlines
Walmart	Massmart
Nike	Umbro

toward business combinations as a strategy for growth are obviously becoming critical as firms compete to be more efficient in delivering goods and services, they become more profitable, the more they acquire.



Discussion Question

HOW DOES A COMPANY REALLY DECIDE TO APPLY?

Pilgrim Products, Inc., buys a controlling interest in a corporation. Shortly after the acquisition, a committee convened to discuss the internal reporting method for the subsidiary. Each member of the staff had a different method, initial value method, or partial equity method. Pilgrim's chief financial officer, Li...

with 5th Edition Features

CPA Simulations

Hoyle et al.'s CPA Simulations, powered by Kaplan, are found in Chapters 1, 2, and 8 of the 5th edition and have been updated in this edition to reflect the task-based approach of the CPA exam. Simulations are set up in the text and completed online at the 5th edition website (mhhe.com/hoyle5e). This allows students to practice advanced accounting concepts in a web-based interface identical to that used in the actual CPA exam. There will be no hesitation or confusion when students sit for the real exam; they will know exactly how to maneuver through the computerized test.

KAPLAN
CPA REVIEW

Please visit the text task-based simulation

River Rocks Corporation
Situation: In Year 6, River Rocks Corporation, a subsidiary of Pebble, Inc. River Rocks Corporation, because company officials have made poor operating and operating decisions, is being sold to a dependent auditing firm has...

Topics to be covered:

- Investments research

End-of-Chapter Materials

As in previous editions, the end-of-chapter material remains a strength of the text. The sheer number of questions, problems, and Internet assignments tests, and therefore **expands, the students' knowledge** of chapter concepts.

Excel Spreadsheet Assignments extend specific problems and are located on the 5th edition website at mhhe.com/hoyle5e. An Excel icon appears next to those problems that have corresponding spreadsheet assignments.

“Develop Your Skills” asks questions that address the four skills students need to master to pass the CPA exam: Research, Analysis, Spreadsheet, and Communication. An icon indicates when these skills are tested.

Comprehensive Illustration

Problem

(Estimated Time: 40 to 65 Minutes)
Company's outstanding common stock buildings with a 12-year remaining life was undervalued with a 10-year life was undervalued other assets and liabilities were equal licensing agreement with an assessed book value at the acquisition date was

Develop Your Skills

ACCOUNTING THEORY RESEARCH CASE

CPA skills

The FASB ASC paragraph 810-10-45-16 the consolidated statement of financial position. That amount shall be clearly identified as subsidiaries.”
However, prior to issuing this current report, the amount shall be clearly identified as subsidiaries.”

Questions

1. What is a business combination?
2. Describe the different types of legal arrangement combination.
3. What does the term *consolidated financial statements* mean?
4. Within the consolidation process, what is the difference between the parent company's and the consolidated company's financial statements?
5. Jones Company obtains all of the common stock of its own stock. Under these circumstances, why would the consideration transferred be difficult?
6. What is the accounting valuation basis for a business combination?

Problems



LO2

1. A company acquires a subsidiary and will use the initial value method. Why might the company use the initial value method?
 - a. It is a relatively easy method to apply.
 - b. Operating results appearing on the parent company's financial statements will be higher.
 - c. GAAP now requires the use of this procedure.

Supplements

The text's Online Learning Center (www.mhhe.com/hoyle5e) includes electronic files for all of the Instructor Supplements

For the Instructor

- **Instructor's Resource and Solutions Manual**, revised by the text authors, includes the solutions to all discussion questions, end-of-chapter questions, and problems. It provides chapter outlines to assist instructors in preparing for class.
- **Test Bank**, revised by Stephen Shanklin, University of Southern Indiana, has been significantly updated.
- **EZ Test Computerized Test Bank** can be used to make different versions of the same test, change the answer order, edit and add questions, and conduct online testing. Technical support for this software is available at (800) 331-5094 or visit www.mhhe.com/eztest.
- **PowerPoint® Presentations**, revised by Anna Lusher, Slippery Rock University, deliver a complete set of slides covering many of the key concepts presented in each chapter.
- **Excel Template Problems and Solutions**, revised by Jack Terry of ComSource Associates, Inc., allow students to develop important spreadsheet skills by using Excel templates to solve selected assignments.
- **Connect® Accounting** 
ISBN 9780077425586; MHID 0077425588.
- **Connect® Plus Accounting** 
ISBN 9780077425609; MHID 007742560X.

For the Student

- **Self-Grading Multiple-Choice Quizzes** (mhhe.com/hoyle5e) for each chapter are available on the Student Center of the text's Online Learning Center.
- **Excel Template Problems** (mhhe.com/hoyle5e) are available on the Student Center of the text's Online

Learning Center. The software includes innovatively designed Excel templates that may be used to solve many complicated problems found in the book. These problems are identified by a logo in the margin.

- **PowerPoint Presentations** (mhhe.com/hoyle5e) are available on the Student Center of the text's Online Learning Center. These presentations accompany each chapter of the text and contain the same slides that are available to the instructor.

Assurance of Learning Ready

Many educational institutions today are focused on the notion of assurance of learning, an important element of some accreditation standards. Hoyle 5e is designed specifically to support your assurance of learning initiatives with a simple, yet powerful solution.

Each test bank question for Hoyle 5e maps to a specific chapter learning outcome/objective listed in the text. You can use our test bank software, EZ Test, to easily query for learning outcomes/objectives that directly relate to the learning objectives for your course. You can then use the reporting features of EZ Test to aggregate student results in a similar fashion, making the collection and presentation of assurance of learning data simple and easy.

AACSB Statement

The McGraw-Hill Companies is a proud corporate member of AACSB International. Understanding the importance and value of AACSB accreditation, Hoyle 5e recognizes the curricula guidelines detailed in the AACSB standards for business accreditation by connecting selected questions in the test bank to the general knowledge and skill guidelines found in the AACSB standards.

The statements contained in Hoyle 5e are provided only as a guide for the users of this text. The AACSB leaves content coverage and assessment within the purview of individual schools, the mission of the school, and the faculty. While Hoyle 5e and the teaching package make no claim of any specific AACSB qualification or evaluation, we have, within the test bank, labeled selected questions according to the six general knowledge and skills areas.

Technology

McGraw-Hill *Connect*[®] Accounting



Less Managing. More Teaching. Greater Learning.

McGraw-Hill *Connect Accounting* is an online assignment and assessment solution that connects students with the tools and resources they'll need to achieve success. McGraw-Hill *Connect Accounting* helps prepare students for their future by enabling faster learning, more efficient studying, and higher retention of knowledge. *Connect Accounting* offers a number of powerful tools and features to make managing assignments easier, so faculty can spend more time teaching. With *Connect Accounting*, students can engage with their coursework anytime and anywhere, making the learning process more accessible and efficient. *Connect Accounting* offers you the features described below.

Simple assignment management

With McGraw-Hill's *Connect Accounting*, creating assignments is easier than ever, so you can spend more time teaching and less time managing. *Connect Accounting* enables you to:

- Create and deliver assignments easily with selectable end-of-chapter questions and test bank items.
- Streamline lesson planning, student progress reporting, and assignment grading to make classroom management more efficient than ever.
- Go paperless with the eBook and online submission and grading of student assignments.

Smart grading

When it comes to studying, time is precious. *Connect Accounting* helps students learn more efficiently by providing feedback and practice material when they need it, where they need it. The grading function enables you to:

- Have assignments scored automatically, giving students immediate feedback on their work and side-by-side comparisons with correct answers.
- Access and review each response; manually change grades or leave comments for students to review.
- Reinforce classroom concepts with practice tests and instant quizzes.

Student progress tracking

McGraw-Hill's *Connect Accounting* keeps instructors informed about how each student, section, and class is performing, allowing for more productive use of lecture and office hours. The reports tab enables you to:

- View scored work immediately and track individual or group performance with assignment and grade reports.
- Access an instant view of student or class performance relative to learning objectives.
- Collect data and generate reports required by many accreditation organizations, such as AACSB and AICPA.

McGraw-Hill *Connect*[®] Plus Accounting

McGraw-Hill reinvents the textbook learning experience for the modern student with *Connect Plus Accounting*. A seamless integration of an eBook and *Connect Accounting*, *Connect Plus Accounting* provides all of the *Connect Accounting* features plus an integrated eBook, allowing for anytime, anywhere access to the textbook; dynamic links between the problems or questions you assign to your students and the location in the eBook where that problem or question is covered; and a powerful search function to pinpoint and connect key concepts in a snap.

For more information about *Connect*, go to www.mcgrawhillconnect.com, or contact your local McGraw-Hill sales representative.

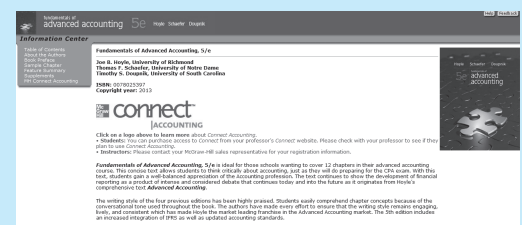
CPA Simulations



The McGraw-Hill Companies and Kaplan have teamed up to bring students CPA simulations to test their knowledge of the concepts discussed in various chapters, practice critical professional skills necessary for career success, and prepare for the computer-based CPA exam. Kaplan CPA Review provides a broad selection of web-based simulations that were modeled after the AICPA format. Exam candidates become familiar with the item format, the research database, and the spreadsheet and word processing software used exclusively on the CPA exam (not Excel or Word), as well as the functionality of the simulations, including the tabs, icons, screens, and tools used on the exam. CPA simulations are found in the end-of-chapter material after the very last cases in Chapters 1, 2, and 8 and have been updated in this edition to reflect the task-based approach of the CPA exam.

Online Learning Center

www.mhhe.com/hoyle5e For instructors, the book's website contains the Instructor's Resource and Solutions Manual, PowerPoint slides, Excel templates and solutions, Interactive Activities, Text and Supplement Updates, and links to professional resources. The student section of the site features online multiple-choice quizzes, PowerPoint presentations, Check Figures, and Excel template exercises.



ALEKS® for Financial Accounting

ALEKS (Assessment and Learning in Knowledge Spaces) delivers precise, qualitative diagnostic assessments of students' knowledge, guides them in selecting appropriate new study material, and records their progress toward mastery of curricular goals in a robust classroom management system. ALEKS interacts with the student much as a skilled human tutor would, moving between explanation and practice as needed, correcting and analyzing errors, defining terms, and changing topics on request.

ALEKS®

CourseSmart

CourseSmart is a new way to find and buy eTextbooks. At CourseSmart you can save up to 55% off the cost of a print textbook, reduce your impact on the environment, and gain access to powerful web tools for learning. Go to www.coursesmart.com to learn more.

CourseSmart

Tegrity Campus: Lectures 24/7

Tegrity Campus, a new McGraw-Hill company, provides a service that makes class time available 24/7 by automatically capturing every lecture. With a simple one-click start-and-stop process, you capture all computer screens and corresponding audio in a format that is easily searchable, frame by frame. Students can replay any part of any class with easy-to-use browser-based viewing on a PC or Mac, an iPod, or other mobile device.

McGraw-Hill Tegrity campus

Educators know that the more students can see, hear, and experience class resources, the better they learn. In fact, studies prove it. Tegrity Campus's unique search feature helps students efficiently find what they need, when they need it, across an entire semester of class recordings. Help turn your students' study time into learning moments immediately supported by your lecture. With Tegrity Campus, you also increase intent listening and class participation by easing students' concerns about note-taking. Lecture Capture will make it more likely you will see students' faces, not the tops of their heads.

To learn more about Tegrity, watch a 2-minute Flash demo at <http://tegritycampus.mhhe.com>.

Online Course Management

McGraw-Hill Higher Education and Blackboard have teamed up. What does this mean for you?

1. **Your life, simplified.** Now you and your students can access McGraw-Hill's *Connect*® and *Create*™ right from within your Blackboard course—all with one single sign-on. Say goodbye to the days of logging in to multiple applications.
2. **Deep integration of content and tools.** Not only do you get single sign-on with *Connect* and *Create*, you also get deep integration of McGraw-Hill content and content engines right in Blackboard. Whether you're choosing a book for your course or building *Connect* assignments, all the tools you need are right where you want them—inside of Blackboard.
3. **Seamless grade books.** Are you tired of keeping multiple grade books and manually synchronizing grades into Blackboard? We thought so. When a student completes an integrated *Connect* assignment, the grade for that assignment automatically (and instantly) feeds your Blackboard grade center.
4. **A solution for everyone.** Whether your institution is already using Blackboard or you just want to try Blackboard on your own, we have a solution for you. McGraw-Hill and Blackboard can now offer you easy access to industry leading technology and content, whether your campus hosts it, or we do. Be sure to ask your local McGraw-Hill representative for details.

In addition to Blackboard integration, course cartridges for whatever online course management system you use (e.g., WebCT or eCollege) are available for Hoyle 5e. Our cartridges are specifically designed to make it easy to navigate and access content online. They are easier than ever to install on the latest version of the course management system available today.



eCollege™

McGraw-Hill/Irwin CARES

At McGraw-Hill/Irwin, we understand that getting the most from new technology can be challenging. That's why our services don't stop after you purchase our book. You can e-mail our product specialists 24 hours a day, get product training online, or search our knowledge bank of Frequently Asked Questions on our support website. For customer support, call 800-331-5094 or visit www.mhhe.com/support. One of our technical support analysts will assist you in a timely fashion.

Fundamentals of Advanced Accounting 5e Stays Current

Overall—this edition of the text provides relevant and up-to-date accounting standards references to the Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC).

Chapter Changes for
Fundamentals of Advanced Accounting, 5th Edition:

Chapter 1

- Modified the structure by moving coverage of excess purchase price amortizations to immediately follow the basics of equity method accounting.
- Updated real-world references.
- Included a new Chapter 1 problem 14 that provides basic coverage of an investor's accounting for an investee's reported other comprehensive income.
- Updated the end-of-chapter analysis case on Coca-Cola's equity method investees in light of Coca-Cola's acquisition of a controlling interest in Coca-Cola Enterprises (CCE).
- Added two new CPA exam style simulations.

Chapter 2

- Added new descriptive coverage of three recent business combinations—United and Continental Airlines, Merck and Schering-Plough, and Nike and Umbro. These combinations provide real-world examples of motivations to combine, the financial magnitudes that often characterize acquisitions, and the underlying risks that accompany business combinations.
- Updated other chapter real-world references including the latest efforts by the FASB and IASB to define control.
- Added six new end-of-chapter problems and two new cases. The first new case is an ASC research case involving accounting for a defensive intangible asset acquired in a business combination. The second new

case asks students to research Abbot Labs's recent acquisition of Solvay Pharmaceuticals.

- Added CPA exam style simulation.
- Moved coverage of the legacy purchase and pooling of interests methods into an appendix given the time elapsed since the ASC requirements for the acquisition method.
- Added a new end-of-chapter problem briefly reviewing the main points of the legacy methods.

Chapter 3

- Updated material on goodwill impairment to reflect a 2011 amendment to FASB ASC Topic 305 that allows an entity the option to first assess qualitative factors to determine whether it is more likely than not that a reporting unit's fair value is less than its carrying amount.
- Added four new end-of-chapter problems and a new research case that compares goodwill impairment testing procedures across IFRS and U.S. GAAP.

Chapter 4

- Updated real-world references throughout Chapter 4.
- Added five new end-of-chapter problems.
- Added two new research cases. The first covers Coca-Cola's acquisition of Coca-Cola Enterprises (CCE) and focuses on accounting for employee replacement awards issued in conjunction with the business combination. The second new case asks students to research the Accounting Standards Codification (ASC) regarding basic financial reporting issues for business combinations. Next two additional questions require research into the differences between IFRS and U.S. GAAP concerning acquisition-date noncontrolling interest valuation alternatives.
- Discontinued coverage of post-acquisition financial statement preparation under the legacy purchase and pooling methods given current requirements for the acquisition method. Chapter 2, however, continues coverage of the legacy methods in an appendix.

Chapter 5

- Changed the text presentation order for the consolidation processes for intra-entity inventory transfers

as the Accounting Profession Changes

first using an example where the parent employs the equity method, followed by the initial value method and discussion of the partial equity method.

- Consolidation worksheet entries now debit the Investment in Subsidiary account instead of Equity in Subsidiary Earnings for intra-entity beginning inventory profits from downstream sales when the parent uses the equity method. A revised footnote presents and discusses the equivalence of a debit to the Equity in Subsidiary Earnings account for beginning inventory intra-entity profit recognition.
- Modified end-of-chapter problem 18 to increase its focus on consolidated net income determination and allocation to the controlling and noncontrolling interests.

Chapter 6

- Updated real-world references throughout the chapter, including discussion of the new International Accounting Standards, *IFRS 10* and *IFRS 12*, on consolidations and related disclosures.
- Added a new problem 25 to provide an assignment covering the preparation of acquisition-date consolidated financial statements for a parent and its variable interest entity (VIE).
- Edited the text example for consolidating VIEs to include separate calculations for acquisition-date valuation.
- Modified the intra-entity bond text example (and related end-of-chapter problems) to include (1) separate consolidation worksheet entries for bond premiums and discounts, and (2) worksheet entries to recognize subsequent year effects from effective bond retirements when the equity method is employed by the parent.
- Streamlined the coverage of intra-entity bonds in the presence of a noncontrolling interest to allow a better focus on the basic issue of parent-only allocation of income effects.

Chapter 7

- Added a table summarizing the accounting for hedges of foreign exchange risk.
- Provided additional explanation of the journal entries in the examples demonstrating the accounting for hedges of foreign currency denominated assets and liabilities and foreign currency firm commitments.

- Added discussion of the IASB's exposure draft on hedge accounting issued in 2011.
- Updated annual report excerpts and examples and end-of-chapter cases requiring the use of actual exchange rates.

Chapter 8

- Updated references to international mergers and acquisitions.
- Added discussion of countries recently designated as highly inflationary economies.
- Added discussion of the appropriate exchange rate to use for translation in those countries in which there is more than one rate at which local currency amounts can be converted into foreign currency.
- Added an example for the translation of nonlocal currency balances.

Chapter 9

- Updated for change in the tax code and other references.
- Added new end-of-chapter problems, including an application of the hybrid method to account for a partner withdrawal.

Chapter 10

- Updated the end-of-chapter analysis case.

Chapter 11

- Updated references to financial information as reported by state and local governments across the United States.
- Updated end-of-chapter material.

Chapter 12

- Updated the rule for blending component units.
- Added a discussion of the GASB's codification of its standards, including GASB Codification of Governmental Accounting and Financial Reporting Standards.
- Updated end-of-chapter material.