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[Introduction to] Fundamentals of Advanced Accounting: Seventh Edition

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Fundamentals of Advanced Accounting

Seventh Edition

Joe B. Hoyle

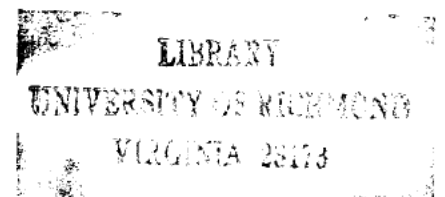
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Fundamentals of Advanced Accounting

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, 7th Edition:

Chapter 1

- Updated the chapter to reflect *Accounting Standards Update* (ASU) No. 2016-07 to ASC Topic 323, Investments—Equity Method and Joint Ventures, entitled “Simplifying the Transition to the Equity Method of Accounting.” The ASU is effective for fiscal years beginning after December 15, 2016.

The ASU eliminates the requirement to retrospectively apply the equity method to previously held ownership interests in an investee when an increase in ownership results in significant influence and thus qualifies for use of the equity method.

- Updated coverage for *Accounting Standards Update* (ASU) No. 2016-01, Financial Instruments—Overall, which requires equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income, unless fair values are not readily determinable. Thus, the previously available-for-sale category with fair value changes recorded in other comprehensive income will no longer be available. The ASU is effective for fiscal years beginning after December 15, 2017, with early adoption permitted.
- Eliminated coverage of investee extraordinary items to align the text coverage with *Accounting Standards Update* No. 2015-01 which eliminates the concept of extraordinary items.
- Updated terminology in discussion of intra-entity gross profits to reflect the new revenue recognition standards (ASC 606).
- Updated real-world references.
- Added and revised several end-of-chapter problems.

Chapter 2

- Added new descriptive coverage of three recent real-world business combinations—Facebook and WhatsApp, AT&T and DirecTV, and MeadwestVaco and Rock-Tenn.
- Revised chapter learning objectives to focus on combinations when the acquired firm is dissolved vs. continued existence. The chapter also newly recognizes a learning objective on the related costs that typically accompany business combinations.
- Added an updated appendix on pushdown accounting based on *Accounting Standards Update* (ASU) No. 2014-17, Business Combinations: Pushdown Accounting. The ASU allows companies an option to apply pushdown accounting for newly acquired subsidiaries.
- Updated real-world references.
- In addition to several new and revised end-of-chapter problems, replaced/added new research cases that provide students with real-world applications of financial reporting for business combinations.

Chapter 3

- Added coverage of post-acquisition procedures for excess fair value attributable to subsidiary long-term debt. Moved coverage of pushdown accounting to Chapter 2.
- Added a Discussion Question that addresses worksheet adjustments to the parent’s beginning-of-the-year retained earnings.
- Updated real-world references.
- Added an appendix covering *Accounting Standards Update* (ASU 2014-02) to Topic 350, “Intangibles—Goodwill and Other, on Accounting for Goodwill. The ASU provides an external reporting option (i.e., amortization) for private company goodwill accounting. The appendix also covers ASU 2014-18, Accounting for Identifiable Intangible Assets in a Business Combination, an amendment of Business Combinations (Topic 805). The new standards allow private companies an option to simplify their accounting by recognizing fewer intangible assets in future business combinations.
- Added new equity method end-of-chapter problems requiring the preparation of consolidated financial statements subsequent to acquisition. In addition, changed the facts and requirements in several end-of-chapter problems.

7e Stays Current as the Accounting Profession Changes

- Added a new research and analysis case on Microsoft's 2015 goodwill impairment loss.

Chapter 4

- Updated real-world references.
- Added two new equity method end-of-chapter problems.
- Added new end-of-chapter cases using the financial reports of Starbucks (step-acquisition example) and Costco (various noncontrolling interest figures and interpretations).
- Revised the end-of-chapter comprehensive FASB ASC and IFRS research case. The new case, entitled *Bardeen Electric*, continues to focus on valuation issues accompanying a business combination including alternative goodwill measurement under IFRS. In addition, several other end-of-chapter problems have been revised.

Chapter 5

- Updated terminology in discussion of intra-entity gross profits to reflect the new revenue recognition standards (ASC 606).
- Revised and expanded coverage of the deferral and subsequent recognition of intra-entity gains on long-term assets transfers across affiliates. The revised exposition emphasizes the nature of reallocating intra-entity gains across time increasing consistency with the chapter's coverage of intra-entity gross profits in inventory.
- Updated real-world references.
- Changed the facts and requirements in several end-of-chapter problems.

Chapter 6

- Updated real-world references.
- Expanded coverage of post-control period reporting for primary beneficiaries and variable interest entities including an example of consolidated statement preparation.
- Added and revised several end-of-chapter problems.

Chapter 7

- Reduced the size of Exhibit 7.1 containing exchange rates for selected countries.
- Rewrote the section now titled Forward Contracts that was previously titled Spot and Forward Rates.

- Moved the section on foreign currency borrowing from the end of the chapter to immediately follow the section on foreign currency transactions.
- Moved the portion of the IFRS section at the end of the chapter that deals with foreign currency transactions to immediately follow the section on foreign currency borrowing.
- Expanded the learning objective related to how forward contracts and foreign currency options can be used to hedge foreign exchange risk to include understanding what types of foreign exchange risk can be hedged.
- Added new learning objectives on the accounting guidelines for derivatives and the basics of hedge accounting.
- Updated real-world references including examples of company practices, excerpts from annual reports, and foreign exchange rates.
- Added language to more clearly explain the impact that the accounting for a derivative financial instrument used to hedge a foreign exchange risk has on financial statements within the examples demonstrating the accounting for various types of foreign currency hedges.
- Updated the section at the end of the chapter that summarizes the accounting for derivative financial instruments under IFRS.
- Changed the facts in several end-of-chapter problems.
- Updated the develop your skills assignments based on actual exchange rates.

Chapter 8

- Updated references to actual company practice and related excerpts from annual reports.
- In the section on Exchange Rates Used in Translation, added instruction to first read the related Discussion Question before continuing.
- Removed reference to the theoretical possibility of translating income statement items at the current exchange rate.
- Removed reference to a research study published in 1988 that investigated the weighting of functional currency indicators.
- Moved the section on IFRS from the end of the chapter to immediately after the section describing U.S. authoritative literature.
- Changed facts in several end-of-chapter problems.

Chapter 9

- Revised tables showing the allocation of partnership income/loss across partners to provide additional emphasis on the step-by-step nature of the income distribution across partners.
- Changed the facts and requirements in several end-of-chapter problems.

Chapter 10

- Split an existing end-of-chapter problem with two unrelated parts into two separate problems.
- Added a new end-of-chapter problem related to learning objectives 10-2 and 10-5.
- Changed the facts and requirements in several end-of-chapter problems.

Chapter 11

- Updated numerous references to the financial statements of a wide variety of state and local governments such as the City of Baltimore, the City of Houston, the City of Charlotte, and the City of Dallas.

Chapter 12

- Provided coverage of new pronouncement: *GASB Statement No. 76*, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.”
- Provided coverage of new pronouncement: *GASB Statement No. 77*, “Tax Abatement Disclosures.”
- Updated references to the financial statements of state and local governments such as the City of Los Angeles, the City of Chicago, the City of Orlando, and the City of Boston.