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Book Reviews

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Editor's Note: Books for review should be sent to Alan Reinstein, Department of Accounting, School of Business Administration, Wayne State University, Detroit, MI 48202.

The policy of *Issues in Accounting Education* is to publish only those review solicited by the Book Reviews Editor. Unsolicited reviews will not be accepted.

CHARLES T. HORNGREN, WALTER T. HARRISON, JR. and LINDA SMITH BAMBER, *Accounting*, Fourth Edition (Upper Saddle River, NJ, 1999, pp. xxxviii, 1,158).

Horngren, Harrison and Bamber successfully integrate the traditional debit/credit approach to teaching accounting principles and demonstrate how accounting is useful for business decision making. The book provides an excellent start for the beginning accounting major and a comprehensive overview for the nonaccounting student. It fills the niche for accounting programs desiring a good foundation for more advanced topics in accounting, finance and other business courses using the output of the accounting system. Students are shown that accounting begins and ends with decision-makers, unlike bookkeeping which is merely a procedural element of accounting.

Horngren, et al. gets student's attention by providing real world examples which they can personally relate to. In addition, the text cites real-world examples of companies that are readily identified by today's student. The text does a good job of tying decision making to the accounting function and the outcomes of the accounting cycle. For example, the text presents a chart listing decisions to be made such as "Where does a business stand financially?" and offering guidelines: Balance sheet (accounting equation)ASSETS = LIABILITIES + OE.

The tutorial approach begins with concepts and principles, then applies those concepts and principles to examples readily observable in the real world. The authors write on a level appropriate for the student so that the concepts and examples are readily understood. They also present tables and charts which summarize and reinforce the points made in the text and the outcomes related to the examples cited. The graphics are beautifully done. They depict flows and examples so that the student can readily grasp each concept and situation being described. For example, after defining and describing the concept of owners' equity, graphics show how owners equity builds as a result of resources flowing from investments by owners and revenues and is depleted by expenditures to owners and for expenses. In addition, the authors make excellent use of accounting equations to depict the effects of transactions on financial statement elements and how each transaction results in equality, i.e., introducing the abstract idea of double entry and the accounting equation without mentioning debits and credits. Students get concepts down before learning the mechanics of bookkeeping.

Each chapter begins with a list of learning objectives. The text ties the learning objectives to the Chapter Discussions and to the End of Chapter material. At the end of each chapter, summaries of learning objectives restate each objective and describe briefly what was learned in the chapter related to each objective. Daily exercises and problems tie directly to objectives and provide good extensions, examples and reinforcement of the concepts and applications learned. Cases prompt the student to integrate ideas learned and apply them to more realistic real-world-type settings. Team projects focus on examples that students can relate to and can be used to generate ideas and alternatives for decision making. In addition, good summary, review problems appear at end of each chapter. The daily exercises use accounting information to make daily decisions. These exercises force students to look back at exhibits and critically evaluate their meaning(s). Internet exercises prompt students to examine how companies report financial information and how users perceive that information. Ethics are also integrated into the homework material as well as critical thinking.

The text follows a logical progression, introducing concepts first then building on those concepts. For example, the authors first illustrate and describe the accounting cycle for the simplest case, a service business owned by a sole proprietor. This presentation allows the student to concentrate on the accounting cycle first without introducing too many other new ideas. Next the text describes accounting's role in merchandising operations, adding the concepts of inventory cost flows and cost of sales. The illustrations and discussions readily compare the different types of information supplied by the service industry and the retail or wholesale industry.

Horngren, et al. present interesting and informative bullets of information which are scattered throughout the text. Learning-tips bullets succinctly and pointedly interject new ideas and expand others. For example, the text shows the student how the cost of inventory is captured in the accounting records. The accompanying learning tip explains that the inventory account is used exclusively for the asset, merchandise. Thinking it over bullets ask questions that students would ask after seeing an illustration of the applying a new concept. A typical question addressed by the book is "Why is cash received on account not recorded as revenue?" In the margins, the authors show definitions of concepts being discussed so that the student can readily see them when they are referred to in the text.

Chapter 6 presents excellent graphics depicting how the journals and ledgers tie together. It also discusses manual vs. computerized accounting systems. Where appropriate in the text, students are shown how accounting information is used for decision-making, e.g., financial ratios and financial statement analysis are introduced, explained and illustrated. Students are shown how accounting alternatives affect financial statements and statistics are provided informing them which methods (e.g., straight-line) are used in practice.

In my opinion the Horngren, et al. text is excellent. It is appropriate for today's student. Most importantly, it fulfills the dual role of introducing the student to basic accounting concepts and their applications and providing an overview of the accounting process and how it fits the needs of decision makers both within and outside the firm.

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WALTER T. Harrison and CHARLES T. HORNGREN, *Financial Accounting*, Third Edition (Upper Saddle River, New Jersey: Prentice Hall, 1998, pp. xxiii,773).

This edition of financial accounting contains a number of new features as well as some changes in the way that other areas are covered. Format enhancements include greater emphasis on the decision-making role of accounting information, transaction analysis presented in terms of the accounting equation, as well as in debit and credit format, and greater integration of ratio analysis into the body of the text as concepts are covered. Four new features of the book are group projects, Internet exercises, custom videos and decision guidelines.

The group projects are well designed, focus on projects that are appropriate for a team work environment and simulate situations that students might face in an actual business setting. For example, a group exercise at the end of chapter 4 (Internal Control and Managing Cash), asks student to prepare an internal control manual that assigns responsibilities across group members and sets up controls for separation of duties. Other group exercises relate to corporate strategy decisions such as downsizing, investments in stocks and analysis of financial statements.

The Internet exercises provide opportunities for students to obtain various financial information from the web and use the information to make a number of different types of decisions such as analyzing how a company is growing, asset structure decisions (lease or purchase) and Internet initial public offerings. These provide some useful and challenging opportunities for students to explore the wealth of information available on the Internet.

There are also custom videos that are related to particular companies and chapters. The companies are for the most companies that would be well known to students such as Lands' End, Intel, Home Depot, IHOP, General Motors and others. These allow the instructor to enhance lectures and readings with video clips focusing on key concepts that relate to actual companies.

Decision guidelines focus on issues related to how individuals use financial accounting information to make a variety of decisions. For example, decision guidelines focus on using the current and debt ratios for investment and credit decisions. Other decision guidelines relate to receivables management, uses of various ratios, financing decisions, capitalization vs. expensing decisions, use of income statement in investment and valuation of companies, as well as other issues of interest to users of financial statements.

This book is quite readable and would, I think, be well liked by students. I like the way that it integrates the use of debit and credits with the equation format, allowing students to focus on the accounting equation impact of various transactions without neglecting the more traditional debit/credit framework. This is important since many students move