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Accounting in Action

Learning Objectives

- 1 Identify the activities and users associated with accounting.
- 2 Explain the building blocks of accounting: ethics, principles, and assumptions.
- 3 State the accounting equation, and define its components.
- 4 Analyze the effects of business transactions on the accounting equation.
- 5 Describe the four financial statements and how they are prepared.

Identify the activities and users associated with accounting.

Accounting consists of three basic activities—it

- ◆ **identifies**,
- ◆ **records**, and
- ◆ **communicates**

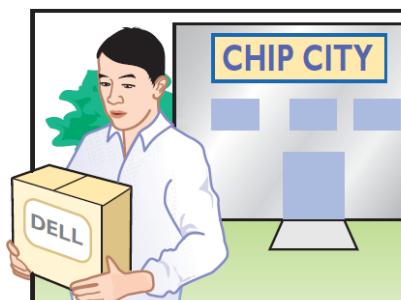
the economic events of an organization to interested users.

Three Activities

Illustration 1-1

The activities of the accounting process

Identification



Select economic events (transactions)

Recording



Record, classify, and summarize

The accounting process includes
the **bookkeeping** function.

Communication



Prepare accounting reports



Analyze and interpret for users

Who Uses Accounting Data

INTERNAL USERS



Marketing

What price should **Apple** charge for an iPod to maximize the company's net income?



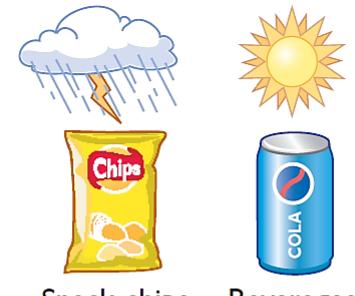
Finance

Is cash sufficient to pay dividends to **Microsoft** stockholders?



Human Resources

Can **General Motors** afford to give its employees pay raises this year?



Management

Which **PepsiCo** product line is the most profitable? Should any product lines be eliminated?

Illustration 1-2
Questions that internal users ask

Who Uses Accounting Data

EXTERNAL USERS



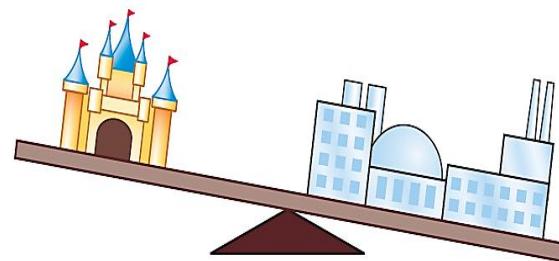
Investors

Is **General Electric** earning satisfactory income?



Creditors

Will **United Airlines** be able to pay its debts as they come due?



Investors

How does **Disney** compare in size and profitability with **Time Warner**?

Taxing authorities (IRS): whether the company complies with tax laws

Regulatory Agencies (SEC): Whether the company is operating with prescribed rules

Customers: whether the company will continue to honor warranties

Labor unions : whether the company able to pay increased wages

Indicate whether the following statements are **true or false**.

1. The three steps in the accounting process are identification, recording, and communication.
2. Bookkeeping encompasses all steps in the accounting process.
3. Accountants prepare, but do not interpret, financial reports.
4. The two most common types of external users are investors and company officers.
5. Managerial accounting activities focus on reports for internal users.

Solution: 1. True 2. False 3. False 4. False 5. True

Who Uses Accounting Data?

Common Questions Asked

1. Can we afford to give our employees a pay raise?



Human Resources

2. Did the company earn a satisfactory income?



Investors

3. Do we need to borrow in the near future?



Management

4. Is cash sufficient to pay dividends to the stockholders?



Finance

5. What price for our product will maximize net income?



Marketing

6. Will the company be able to pay its short-term debts?



Creditors

Ethics in Financial Reporting

Standards of conduct by which one's actions are judged as right or wrong, honest or dishonest, fair or not fair, are **Ethics**.

- Recent financial scandals include: **Enron, WorldCom, HealthSouth, AIG**, and others.
- Congress passed Sarbanes-Oxley Act of 2002.
- Effective financial reporting depends on sound ethical behavior.

Review Question

Ethics are the standards of conduct by which one's actions are judged as:

- a. right or wrong.
- b. honest or dishonest.
- c. fair or not fair.
- d. all of these options.**

Generally Accepted Accounting Principles

Various users
need financial
information



Financial Statements

- ◆ Balance Sheet
- ◆ Income Statement
- ◆ Statement of Owner's Equity
- ◆ Statement of Cash Flows
- ◆ Note Disclosure

The accounting profession
has developed standards
that are generally accepted
and universally practiced.



Generally Accepted Accounting Principles (GAAP)

The Building Blocks of Accounting

Organizations Involved in Standard Setting:



Securities and Exchange Commission (SEC)

<http://www.sec.gov/>



Financial Accounting Standards Board (FASB)

<http://www.fasb.org/>



International Accounting Standards Board
(IASB)

<http://www.iasb.org/>

→ International financial reports standards IFRS

Both the IASB and the FASB are hard at work developing standards that will lead to **the elimination of major differences** in the way certain transactions are accounted for and reported.

The Building Blocks of Accounting

Cost Principle (Historical) - dictates that companies record assets at their cost.

Issues:

- Reported at cost when purchased and also over the time the asset is held.
- Cost easily verified, whereas market value is often subjective.
- Fair value information may be more useful.

The Building Blocks of Accounting

Cost Principle (Historical)

- 10/05/2018- The company purchased a land for \$300.000
- 31/12/2018- the fair value of the land is \$400.000

What does the company do ?

Under the cost principle, it continue to report the land at \$300.000

Assumptions

MONETARY UNIT ASSUMPTION requires that companies include in the accounting records only transaction data that can be expressed in terms of money.

ECONOMIC ENTITY ASSUMPTION requires that activities of the entity be kept separate and distinct from the activities of its owner and all other economic entities.

- ◆ Proprietorship
- ◆ Partnership
- ◆ Corporation



**Forms of Business
Ownership**

Forms of Business Ownership

Proprietorship

- ◆ Owned by one person
- ◆ Owner is often manager/operator
- ◆ Owner receives any profits, suffers any losses, and is personally liable for all debts

Partnership

- ◆ Owned by two or more persons
- ◆ Often retail and service-type businesses
- ◆ Generally unlimited personal liability
- ◆ Partnership agreement

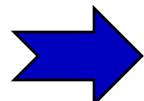
Corporation

- ◆ Ownership divided into shares of stock
- ◆ Separate legal entity organized under state corporation law
- ◆ Limited liability

Assumptions

Question

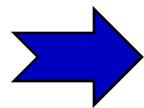
Combining the activities of Kellogg and General Mills would violate the

- a. cost principle.
-  b. economic entity assumption.
- c. monetary unit assumption.
- d. ethics principle.

Assumptions

Question

A business organized as a separate legal entity under state law having ownership divided into shares of stock is a

- a. proprietorship.
- b. partnership.
-  c. corporation.
- d. sole proprietorship.

Indicate whether each of the following statements presented below is **true** or **false**.

1. Congress passed the Sarbanes-Oxley Act to reduce unethical behavior and decrease the likelihood of future corporate scandals.
2. The primary accounting standard-setting body in the United States is the Financial Accounting Standards Board (FASB).
3. The historical cost principle dictates that companies record assets at their cost. In later periods, however, the fair value of the asset must be used if fair value is higher than its cost.

True

True

False

Indicate whether each of the following statements presented below is **true** or **false**.

4. A business owner's personal expenses must be separated from expenses of the business to comply with accounting's economic entity assumption.

True

The Basic Accounting Equation

$$\text{Assets} = \text{Liabilities} + \text{Owner's Equity}$$

Provides the **underlying framework** for recording and summarizing economic events.

Assets are claimed by either creditors or owners.

Claims of creditors must be paid before ownership claims.

The Basic Accounting Equation

$$\boxed{\text{Assets}} = \boxed{\text{Liabilities}} + \boxed{\text{Owner's Equity}}$$

Provides the **underlying framework** for recording and summarizing economic events.

Assets

- Resources a business owns.
- Provide future services or benefits.
- Cash, Supplies, Equipment, etc.

The Basic Accounting Equation

$$\text{Assets} = \text{Liabilities} + \text{Owner's Equity}$$

Provides the **underlying framework** for recording and summarizing economic events.

Liabilities

- Claims against assets (debts and obligations).
- Creditors - party to whom money is owed.
- Accounts payable, Notes payable, etc.

The Basic Accounting Equation

$$\text{Assets} = \text{Liabilities} + \text{Owner's Equity}$$

Provides the **underlying framework** for recording and summarizing economic events.

Owner's Equity

- Ownership claim on total assets.
- Referred to as residual equity.
- Capital, Drawings, etc. (Proprietorship or Partnership).

SO 6 State the accounting equation, and define its components.

Owner's Equity

Illustration 1-6
Expanded accounting
equation

Basic Equation	Assets = Liabilities	+	Owner's Equity
Expanded Equation	Assets = Liabilities	+	Owner's Capital – Owner's Drawings + Revenues – Expenses

Increases in Owner's Equity

- ◆ **Investments by owner** are the assets the owner puts into the business.
- ◆ **Revenues** result from business activities entered into for the purpose of earning income.
 - ▶ **Common sources of revenue** are: sales, fees, services, commissions, interest, dividends, royalties (payment **received** for the use of copyrights, natural resources) and rent.

Owner's Equity

Illustration 1-6
Expanded accounting
equation

Basic Equation	Assets = Liabilities + Owner's Equity
Expanded Equation	Assets = Liabilities + Owner's Capital - Owner's Drawings + Revenues - Expenses

Decreases in Owner's Equity

- ◆ **Drawings** An owner may withdraw cash or other assets for personal use.
- ◆ **Expenses** are the cost of assets consumed or services used in the process of earning revenue.
 - ▶ **Common expenses** are: salaries expense, rent expense, utilities expense, tax expense, etc.

Classify the following items as investment by owner, owner's drawings, revenue, or expenses. Then indicate whether each item increases or decreases owner's equity.

	<u>Classification</u>	<u>Effect on Equity</u>
1. Rent Expense		
2. Service Revenue		
3. Drawings		
4. Salaries and Wages Expense		

Analyze the effects of business transactions on the accounting equation.

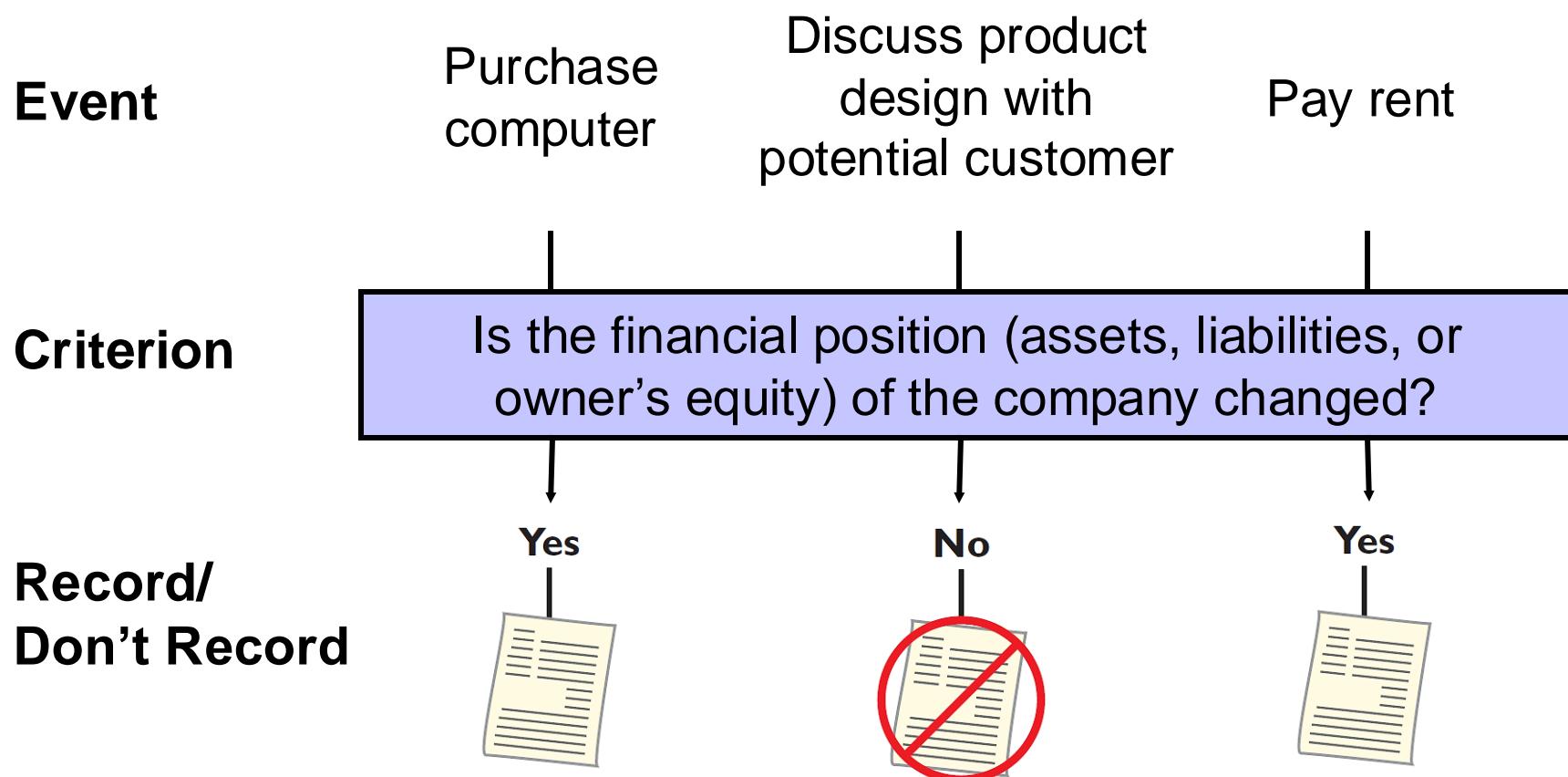
Transactions are a business's economic events recorded by accountants.

- ◆ May be **external** or **internal**.
- ◆ Not all activities represent transactions.
- ◆ Each transaction has a dual effect on the accounting equation.

Transaction Analysis

Illustration: Are the following events recorded in the accounting records?

Illustration 1-7



Transaction Analysis

TRANSACTION 1. INVESTMENT BY OWNER Ray Neal decides to start a smartphone app development company which he names Softbyte. On September 1, 2017, he invests **\$15,000 cash** in the business. This transaction results in an equal increase in assets and owner's equity.

	Assets				=	Liabilities +		Owner's Equity									
Trans- action	Cash	+	Accounts Receivable	+	Supplies	+	Equipment	=	Accounts Payable	+	Owner's Capital	-	Owner's Drawings	+	Rev.	-	Exp.
1.	+15,000										+15,000						

Illustration 1-8

Tabular summary of
Softbyte transactions

TRANSACTION 2. PURCHASE OF EQUIPMENT FOR CASH

Softbyte Inc. purchases computer equipment for \$7,000 cash.

Illustration 1-8

	Assets			= Liabilities +		Owner's Equity							
Trans- action	Cash	+	Accounts Receivable	+	Supplies + Equipment	=	Accounts Payable	+	Owner's Capital	-	Owner's Drawing s	+ Rev.	- Exp.
1.	+15,000								+15,000				
2.	-7,000				+7,000								

TRANSACTION 3. PURCHASE OF SUPPLIES ON CREDIT Softbyte Inc. purchases for \$1,600 headsets and other accessories expected to last several months. The supplier allows Softbyte to pay this bill in October.

Illustration 1-8

	Assets			= Liabilities +		Owner's Equity							
Trans- action	Cash	+	Accounts Receivable	+	Supplies + Equipment	=	Accounts Payable	+	Owner's Capital	-	Owner's Drawing s	+ Rev.	- Exp.
1.	+15,000								+15,000				
2.	-7,000				+7,000								
3.			+1,600				+1,600						

TRANSACTION 4. SERVICES PERFORMED FOR CASH Softbyte Inc. receives \$1,200 cash from customers for app development services it has performed.

Illustration 1-8

	Assets			= Liabilities +		Owner's Equity							
Trans- action	Cash	+	Accounts Receivable	+	Supplies + Equipment	=	Accounts Payable	+	Owner's Capital	-	Owner's Drawing s	+ Rev.	- Exp.
1.	+15,000								+15,000				
2.	-7,000				+7,000								
3.			+1,600				+1,600						
4.	+1,200								+1,200				

TRANSACTION 5. PURCHASE OF ADVERTISING ON CREDIT

Softbyte Inc. receives a **bill for \$250** from the *Daily News* for advertising on its online website but postpones payment until a later date.

Illustration 1-8

	Assets			= Liabilities +		Owner's Equity							
Trans- action	Cash	+	Accounts Receivable	+	Supplies + Equipment	=	Accounts Payable	+	Owner's Capital	-	Owner's Drawing s	+ Rev.	- Exp.
1.	+15,000								+15,000				
2.	-7,000				+7,000								
3.			+1,600				+1,600						
4.	+1,200									+1,200			
5.					+250						-250		

TRANSACTION 6. SERVICES PERFORMED FOR CASH AND CREDIT.

Softbyte performs **\$3,500 of services**. The company receives **cash of \$1,500** from customers, and it bills the balance of **\$2,000 on account**.

Illustration 1-8

	Assets			= Liabilities +		Owner's Equity							
Trans- action	Cash	+	Accounts Receivable	+	Supplies + Equipment	=	Accounts Payable	+	Owner's Capital	-	Owner's Drawing s	+ Rev.	- Exp.
1.	+15,000								+15,000				
2.	-7,000				+7,000								
3.			+1,600				+1,600						
4.	+1,200									+1,200			
5.					+250						-250		
6.	+1,500		+2,000							+3,500			

TRANSACTION 7. PAYMENT OF EXPENSES Softbyte Inc. pays the following expenses in cash for September: office rent **\$600**, salaries and wages of employees **\$900**, and utilities **\$200**.

Illustration 1-8

Trans- action	Assets				= Liabilities +		Owner's Equity										
	Cash	+	Accounts Receivable	+	Supplies	+	Equipment	=	Accounts Payable	+	Owner's Capital	-	Owner's Drawing s	+	Rev.	-	Exp.
1.	+15,000												+15,000				
2.	-7,000								+7,000								
3.			+1,600							+1,600							
4.	+1,200												+1,200				
5.									+250					-250			
6.	+1,500		+2,000										+3,500				
7.	-1,700													-600			
														-900			
														-200			

TRANSACTION 8. PAYMENT OF ACCOUNTS PAYABLE Softbyte Inc. pays its \$250 *Daily News* bill in cash. The company previously (in Transaction 5) recorded the bill as an increase in Accounts Payable.

Illustration 1-8	Assets				= Liabilities +		Owner's Equity										
Trans- action	Cash	+	Accounts Receivable	+	Supplies	+	Equipment	=	Accounts Payable	+	Owner's Capital	-	Owner's Drawing	+	Rev.	-	Exp.
1.	+15,000										+15,000						
2.	-7,000								+7,000								
3.			+1,600							+1,600							
4.	+1,200											+1,200					
5.									+250				-250				
6.	+1,500		+2,000								+3,500						
7.	-1,700											-600			-900		-200
8.	-250								-250								

TRANSACTION 9. RECEIPT OF CASH ON ACCOUNT Softbyte Inc. receives \$600 in cash from customers who had been billed for services (in Transaction 6).

Illustration 1-8

Trans- action	Assets				= Liabilities +		Owner's Equity										
	Cash	+	Accounts Receivable	+	Supplies	+	Equipment	=	Accounts Payable	+	Owner's Capital	-	Owner's Drawing s	+	Rev.	-	Exp.
1.	+15,000												+15,000				
2.	-7,000								+7,000								
3.			+1,600							+1,600							
4.	+1,200												+1,200				
5.									+250					-250			
6.	+1,500		+2,000										+3,500				
7.	-1,700													-600			
														-900			
														-200			
8.	-250									-250							
9.	+600		-600														

TRANSACTION 10. WITHDRAWAL OF CASH BY OWNER Ray Neal withdraws **\$1,300 in cash** in cash from the business for his personal use.

Illustration 1-8

Summary of Transactions

1. Each transaction is analyzed in terms of its effect on:
 - a. The three components of the basic accounting equation.
 - b. Specific of items within each component.
2. The two sides of the equation must always be equal.

Transactions made by Virmari & Co., a public accounting firm, for the month of August are shown below. Prepare a tabular analysis which shows the effects of these transactions on the expanded accounting equation, similar to that shown in Illustration 1-8.

1. The owner invested \$25,000 cash in the business.
2. The company purchased \$7,000 of office equipment on credit.
3. The company received \$8,000 cash in exchange for services performed.
4. The company paid \$850 for this month's rent.
5. The owner withdrew \$1,000 cash for personal use.

1. The owner invested \$25,000 cash in the business.

	Assets	=	Liabilities +		Owner's Equity	
Trans- action	Cash + Equipment	=	Accounts Payable	+	Owner's Capital	-
1.	+25,000				+25,000	

2. The company purchased \$7,000 of office equipment on credit.

Trans- action	Assets		=	Liabilities +		Owner's Equity		
	Cash	+ Equipment	=	Accounts Payable	+ Owner's Capital	- Owner's Drawings	+ Rev.	- Exp.
1.	+25,000				+25,000			
2.		+7,000		+7,000				

3. The company received \$8,000 cash in exchange for services performed.

Trans- action	Assets		=	Liabilities +		Owner's Equity		
	Cash	+ Equipment	=	Accounts Payable	+ Owner's Capital	- Owner's Drawing	+ Rev.	- Exp.
1.	+25,000				+25,000			
2.		+7,000		+7,000				
3.		+8,000				+8,000		

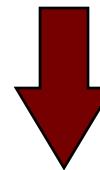
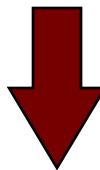
4. The company paid \$850 for this month's rent.

Trans- action	Assets		=	Liabilities +		Owner's Equity		
	Cash	+ Equipment	=	Accounts Payable	+ Owner's Capital	- Owner's Drawings	+ Rev.	- Exp.
1.	+25,000				+25,000			
2.		+7,000		+7,000				
3.		+8,000				+8,000		
4.		-850					-850	

5. The owner withdrew \$1,000 cash for personal use.

Describe the four financial statements and how they are prepared.

Companies prepare four financial statements :



**Income
Statement**

**Owner's
Equity
Statement**

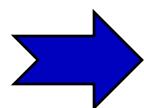
**Balance
Sheet**

**Statement
of Cash
Flows**

Financial Statements

Question

Net income will result during a time period when:

- a. assets exceed liabilities.
- b. assets exceed revenues.
- c. expenses exceed revenues.
-  d. revenues exceed expenses.

Financial Statements (Softbyte Inc, Sep 30)

Illustration 1-8

Financial Statements

Net income is needed to determine the ending balance in owner's equity.

SOFTBYTE Income Statement For the Month Ended September 30, 2017

Revenues	
Service revenue	\$ 4,700
Expenses	
Salaries and wages expense	\$900
Rent expense	600
Advertising expense	250
Utilities expense	<u>200</u>
Total expenses	<u>1,950</u>
Net income	<u><u>\$ 2,750</u></u>

Illustration 1-9
Financial statements and
their interrelationships

SOFTBYTE Owner's Equity Statement For the Month Ended September 30, 2017

Owner's capital, September 1	\$ -0-
Add: Investments	\$15,000
Net income	<u><u>2,750</u></u>
	<u>17,750</u>
Less: Drawings	<u>17,750</u>
Owner's capital, September 30	<u><u>1,300</u></u>
	<u><u>\$16,450</u></u>

1

SOFTBYTE
Owner's Equity Statement
For the Month Ended September 30, 2017

Owner's capital, September 1	\$ -0-
Add: Investments	\$15,000
Net income	<u>2,750</u>
	17,750
Less: Drawings	17,750
Owner's capital, September 30	<u>1,300</u>
	<u><u>\$16,450</u></u>

The ending balance in owner's equity is needed in preparing the balance sheet.

SOFTBYTE
Balance Sheet
September 30, 2017

<u>Assets</u>	
— Cash	\$ 8,050
Accounts receivable	1,400
Supplies	1,600
Equipment	7,000
Total assets	<u><u>\$ 18,050</u></u>
<u>Liabilities and Owner's Equity</u>	
Liabilities	
Accounts payable	\$ 1,600
Owner's equity	16,450
Owner's capital	<u><u>16,450</u></u>
Total liabilities and owner's equity	<u><u>\$ 18,050</u></u>

Illustration 1-9
Financial statements and their interrelationships

Financial Statements

Balance sheet and income statement are needed to prepare statement of cash flows.

SOFTBYTE Balance Sheet September 30, 2017

<u>Assets</u>	
Cash	\$ 8,050
Accounts receivable	1,400
Supplies	1,600
Equipment	7,000
Total assets	<u>\$ 18,050</u>

<u>Liabilities and Owner's Equity</u>	
Liabilities	
Accounts payable	\$ 1,600
Owner's equity	
Owner's capital	<u>16,450</u>
Total liabilities and owner's equity	<u>\$ 18,050</u>

SOFTBYTE Statement of Cash Flows For the Month Ended September 30, 2017

Cash flows from operating activities			
Cash receipts from revenues	\$ 3,300		
Cash payments for expenses	(1,950)		
Net cash provided by operating activities	1,350		
Cash flows from investing activities			
Purchase of equipment	(7,000)		
Cash flows from financing activities			
Investments by owner	\$15,000		
Drawings by owner	(1,300)		
Net increase in cash	13,700		
Cash at the beginning of the period	8,050		
→ Cash at the end of the period	<u>\$ 8,050</u>		

Illustration 1-9
Financial statements and their interrelationships

Income Statement

- ◆ Reports the revenues and expenses for a specific period of time.
- ◆ Lists revenues first, followed by expenses.
- ◆ Shows net income (or net loss).
- ◆ Does not include investment and withdrawal transactions between the owner and the business in measuring net income.

Alternative Terminology

The income statement is sometimes referred to as the *statement of operations*, *earnings statement*, or *profit and loss statement*.

Owner's Equity Statement

- ◆ Reports the changes in owner's equity for a specific period of time.
- ◆ The time period is the same as that covered by the income statement.

Balance Sheet

- ◆ Reports the assets, liabilities, and owner's equity at a specific date.
- ◆ Lists assets at the top, followed by liabilities and owner's equity.
- ◆ Total assets must equal total liabilities and owner's equity.
- ◆ Is a snapshot of the company's financial condition at a specific moment in time (usually the month-end or year-end).

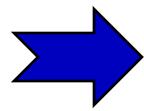
Statement of Cash Flows

- ◆ Information on the cash receipts and payments for a specific period of time.
- ◆ Answers the following:
 - ▶ Where did cash come from?
 - ▶ What was cash used for?
 - ▶ What was the change in the cash balance?

Financial Statements

Question

Which of the following financial statements is prepared as of a specific date?



- a. Balance sheet.
- b. Income statement.
- c. Owner's equity statement.
- d. Statement of cash flows.

Presented below is selected information related to Flanagan Company at December 31, 2017. Flanagan reports financial information monthly.

Equipment	\$10,000	Utilities Expense	\$ 4,000
Cash	8,000	Accounts Receivable	9,000
Service Revenue	36,000	Salaries and Wages Expense	7,000
Rent Expense	11,000	Notes Payable	16,500
Accounts Payable	2,000	Owner's Drawings	5,000

- (a) Determine the total assets of at December 31, 2017.
- (b) Determine the net income reported for December 2017.
- (c) Determine the owner's equity at December 31, 2017.

Presented below is selected information related to Flanagan Company at December 31, 2017. Flanagan reports financial information monthly.

Equipment	\$10,000	Utilities Expense	\$ 4,000
Cash	8,000	Accounts Receivable	9,000
Service Revenue	36,000	Salaries and Wages Expense	7,000
Rent Expense	11,000	Notes Payable	16,500
Accounts Payable	2,000	Owner's Drawings	5,000

(a) Determine the total assets of at December 31, 2017.

The total assets are \$27,000, comprised of

- Cash \$8,000,
- Accounts Receivable \$9,000, and
- Equipment \$10,000.

Presented below is selected information related to Flanagan Company at December 31, 2017. Flanagan reports financial information monthly.

Equipment	\$10,000	Utilities Expense	\$ 4,000
Cash	8,000	Accounts Receivable	9,000
Service Revenue	36,000	Salaries and Wages Expense	7,000
Rent Expense	11,000	Notes Payable	16,500
Accounts Payable	2,000	Owner's Drawings	5,000

(b) Determine the net income reported for December 2017.

Revenues	
Service revenue	\$36,000
Expenses	
Rent expense	\$11,000
Salaries and wages expense	7,000
Utilities expense	4,000
Total expenses	<u>22,000</u>
Net income	<u><u>\$14,000</u></u>

Presented below is selected information related to Flanagan Company at December 31, 2017. Flanagan reports financial information monthly.

Equipment	\$10,000	Utilities Expense	\$ 4,000
Cash	8,000	Accounts Receivable	9,000
Service Revenue	36,000	Salaries and Wages Expense	7,000
Rent Expense	11,000	Notes Payable	16,500
Accounts Payable	2,000	Owner's Drawings	5,000

(c) Determine the owner's equity at December 31, 2017.

Total assets [as computed in (a)]	\$27,000
Less: Liabilities	
Notes payable	\$16,500
Accounts payable	<u>2,000</u>
Owner's equity	<u><u>\$ 8,500</u></u>

APPENDIX 1A: Explain the career opportunities in accounting.

Public Accounting

Careers in auditing, taxation, and management consulting serving the general public.

Private Accounting

Careers in industry working in cost accounting, budgeting, accounting information systems, and taxation.

Governmental Accounting

Careers with the IRS, the FBI, the SEC, public colleges and universities, and in state and local governments.

Forensic Accounting

Uses accounting, auditing, and investigative skills to conduct investigations into theft and fraud.

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