

HELPING STUDENTS ANALYZE THE IMPACT OF ESTIMATES AND CHOICES ON NET INCOME

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A B S T R A C T

Financial accounting can be deceptively reassuring to students. The constant calculation of figures that are “right answers” down to the penny and the double underlining of net income and other numbers can lend itself to a feeling of exactness and finality. (This can happen even when students are reminded of the inexactness of financial accounting numbers.) Often overlooked in the textbook precision of financial accounting, however, is the linkage between numbers used to measure the past and their reliance on a projection of an unknown future. This paper presents problems that differ from those usually found in financial accounting textbooks. The problems have “right answers,” but alternative possibilities and comparisons are also presented to alert students to the fact that the “exactness” of a financial accounting answer is often based on inexact estimates and projections of future events.