A full-page photograph of a surfer in a black wetsuit riding a large, curling wave. The surfer is positioned in the upper right quadrant of the image, with arms outstretched. The water is a vibrant blue-green, and the wave's crest is white with foam. The background is a deep blue sky.

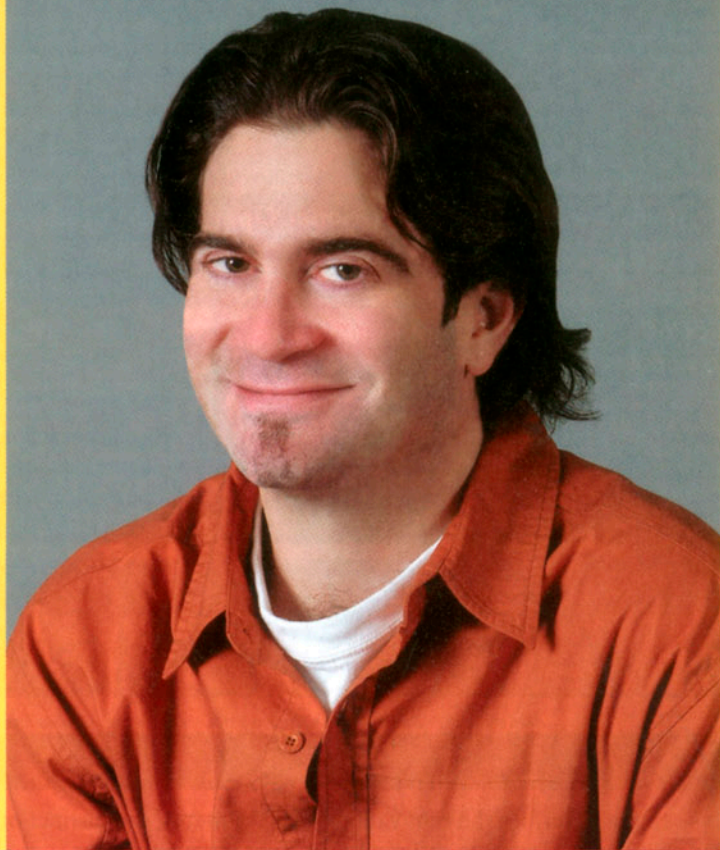
Fundamental Accounting Principles

Eighteenth Edition

Wild
Larson
Chiappetta

"You should try to stay focused on your goal and not be swayed either way by people giving you too much props or too many insults"

—Stu Levy



Decision Feature

Manga-nificent Entertainment



LOS ANGELES, CA—"I fell in love with the combination of old and new, East and West—sort of a neo-Buddhist modernism—that hooked me the most," says Stu

Levy, founder of **TOKYOPOP** (Tokyopop.com). The

object of Stu's desire is manga (pronounced MAHN-gah), a form of graphic entertainment native to Japan. TOKYOPOP is a leading multimedia company that specializes in publishing manga in English. Manga is described as the Japanese counterpart to comic books, though quicker to read and with a wider range of genres, characters, and layouts.

"The art [of manga] really resonates with this generation of young people, teenagers, and children," explains Stu. "We are putting a lot of time and energy into getting it out there into the hands of the potential audience. I love the ability to merge the visual medium with lyrical storytelling."

The art of running a company that publishes manga involves the business of acquiring and developing material. Stu likens himself to a producer. As he puts it, "A producer gets the team together, handles the finances, but is also totally involved in the creative side. [Yet] acquisitions and development is probably my most enjoyable and largest job. I also handle our capital-raising activities," adds Stu.

TOKYOPOP's acquisition and development activities involve considerable investment in manga. This often means investing in the Japanese rights to material that the company then translates for its U.S. audience. Accordingly, Stu's job requires conducting international transactions and performing currency translations. These tasks demand that he know the accounting and reporting requirements for investments. This chapter focuses on how to account for investments, particularly those in the debt and equity securities of other companies.

"The publishing part of our business is kind of like a platform. . . we are a delivering mechanism," says Stu. "Most people who read manga. . . get hooked. It's addictive," he adds. Revenues should continue to look *manga-nificent* for years to come because the more people experience manga, the larger the market grows. "Our goal at TOKYOPOP is to deliver the most exciting entertainment possible and merging the best cultures in the world to do so," says Stu. "I dove into the Japanese culture and Asian culture. . . but I fell in love with manga."

[Sources: TOKYOPOP Website, January 2006, *Entrepreneur*, November 2004; *Japan Today*, February 2004; *License!*, May 2005; *Comic Book Resources*, February 2002; *FSB Magazine*, June 2004]

15

Investments and International Operations

A Look Back

Chapter 14 focused on long-term liabilities—a main part of most companies' financing. We explained how to value, record, amortize, and report these liabilities in financial statements.

A Look at This Chapter

This chapter focuses on investments in securities. We explain how to identify, account for, and report investments in both debt and equity securities. We also explain accounting for transactions listed in a foreign currency.

A Look Ahead

Chapter 16 focuses on reporting and analyzing a company's cash flows. Special emphasis is directed at the statement of cash flows—reported under the indirect method.

Learning Objectives

CAP

Conceptual

- C1** Distinguish between debt and equity securities and between short-term and long-term investments. (p. 586)
- C2** Identify and describe the different classes of investments in securities. (p. 587)
- C3** Describe how to report equity securities with controlling influence. (p. 593)
- C4** Appendix 15A—Explain foreign exchange rates between currencies. (p. 599)

Analytical

- A1** Compute and analyze the components of return on total assets. (p. 594)

Procedural

- P1** Account for trading securities. (p. 589)
- P2** Account for held-to-maturity securities. (p. 590)
- P3** Account for available-for-sale securities. (p. 590)
- P4** Account for equity securities with significant influence. (p. 591)
- P5** Appendix 15A—Record transactions listed in a foreign currency. (p. 600)