

entity

Accounting Equation - $\text{assets} = \text{liabilities} + \text{equity}$

Accounts Payable - money owed to creditors, vendors, etc.

Accounts Receivable - money owed to a business, i.e. credit sales

Accrual Accounting - a method in which income is recorded when it is earned and expenses are recorded when they are incurred, all independent of cash flow

Accruals - a list of expenses that have been incurred and expensed, but not paid or a list of sales that have been completed, but not yet billed

liabilities

Asset - property with a cash value that is owned by a business or individual

Audit Trail – a record of every transaction, when it was done, by whom and where, used by auditors when validating the financial statement

accuracy and provide a statement to that effect

and equity

Bookkeeping - recording financial information

Budgeting – the process of assigning forecasted income and expenses to accounts, which amounts will be compared to actual income and expense for analysis of variances

shares sold to shareholders at a predetermined value per share, also called “common stock” or “preferred stock”

Capital Surplus – found in the equity portion of the balance sheet accounting for the amount shareholders paid that is greater or lesser than the “capital stock” amount

Capitalized Expense – expenses that are accumulated, not expensed as incurred, to be amortized over a period of time; i.e. the development cost of a new product

Chart of Accounts - a listing of a company's accounts and their corresponding numbers

they are paid.

ending amounts

Closing the Books/Year End Closing – the process of reversing the income and expense for a fiscal or calendar year and netting the amount into “retained earnings”

Cost Accounting - a type of accounting that focuses on recording, defining, and reporting costs associated with specific operating functions

liabilities and equity.

and equity.

Departmental Accounting – separating operating divisions into their own sub entities on the income statement, showing individual income, expenses, and net profit by entity

Depreciation - recognizing the decrease in the value of an asset due to age and use

Dividends – amounts paid to shareholders out of current or retained earnings

Double-Entry Bookkeeping - system of accounting in which every transaction has a corresponding positive and negative entry (debits and credits)

equity"

external party; ie: shareholders

Financial Statement - a record containing the balance sheet and the income statement

Fixed Asset - long-term tangible property; building, land, computers, etc.

General Ledger - a record of all financial transactions within an entity

assets

Income Statement - a summary of income and expenses

Inventory – merchandise purchased for resale at a profit

“LIFO,” last in, first out; “FIFO,” first in, first out; “average,” an average cost over a given period, “last cost,” the cost based on the last purchase; “standard,” a “deemed” amount related to but not tied to a specific purchase, “serialized,” based on a uniquely identifiable serial number or character of each inventory item

and the terms of sale, payment, etc.

etc) and comparing with forecasted costs

Journal - a record where transactions are recorded, also known as an "account"

Liability - money owed to creditors, vendors, etc

Liquid Asset - cash or other property that can be easily converted to cash

Loan - money borrowed from a lender and usually repaid with interest

accounts” assigned to it; i.e. Cash might be the master account for a list of depository accounts at banks

Net Income - money remaining after all expenses and taxes have been paid

and amortization

an old building

Note - a written agreement to repay borrowed money; sometimes used in place of "loan"

Operating Income - income generated from regular business operations

interest, rents, etc.

Payroll - a list of employees and their wages

Posting – the process of entering then permanently saving or “archiving” accounting data

Profit - see "net income"

Profit/Loss Statement - see "income statement"

Reconciliation – the process of matching one set of data to another; i.e. the bank statement to the check register, the accounts payable journal to the general ledger, etc.

over the life of the business

Revenue - total income before expenses.

shareholders

one account

Statement of Account - a summary of amounts owed to a vendor, lender, etc.

“master accounts;” i.e. “Cash-ABC Bank” might be one of several subsidiary accounts that are subtotaled under “Cash”

Supplies – assets purchased to be consumed by the entity

equity

Write-down/Write-off – an accounting entry that reduces the value of an asset due to an impairment of that asset; i.e. the account receivable from the bankrupt customer

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