

Accounting Vocabulary

A

AICPA - American Institute of Certified Public Accountants

account - record of the increases or decreases in a specific item

accountant - makes choices and decisions; prepares and explains financial statements

accounting - a systematic process of recording and reporting financial transactions

accounting clerk - entry-level position; records transactions and maintains records

accounting cycle - series of activities completed during a fiscal period to keep records

accounting equation - assets = liabilities + capital

account form of balance sheet - lists assets on the left and equities on the right (T-account)

accounts payable - total amount of money owed to a business' vendors (creditors)

accounts receivable - total amount of money to be received in future from sales on credit

accrual accounting - revenues, costs & expenses are recorded in the fiscal period earned or incurred

accrued expenses - expenses incurred in one fiscal period but paid in a later fiscal period

accrued revenue - revenue earned in one fiscal period but received in a later fiscal period

accumulated depreciation - contra asset (permanent) account used to record depreciation

adjustment - amount added or subtracted from an account balance on the worksheet to bring up to date

adjusting entry - journal entries that update general ledger accounts at the end of the fiscal period

articles of incorporation - application made to state officials to operate a business as a corporation

assets - property or items of value owned by a business (what is OWNED)

B

balance sheet - report of final balances in asset, liability and capital accounts (account form, assets are listed on the left & equities on right; report form, assets are listed, then liabilities then owner's equity)

balance sheet (detailed) - when changes in owner's or partner's equity are detailed in the equity section

balance side - increase side of an account

beginning inventory - merchandise on hand at the beginning of a fiscal period

bill of lading - a form issued by a freight carrier for promise of delivery of merchandise listed

bookkeeper - person who keeps all the accounting records for a small to medium sized business

business transaction - an economic activity that causes a change in the accounting equation

C

capital - initially, money invested in a business by an owner; later, value of the owner's equity

capital stock - S/E account showing the total dollar amount invested in a corporation by its shareholders

cash discount - amount a customer may deduct if the invoice is paid within a specified time

cash payments journal - special journal used to record all transactions where cash is paid out

cash receipts journal - special journal used to record all transactions where cash is received

cash sale - transaction where full payment is received for merchandise sold

certified public accountant (CPA) - certified by a state to provide accounting services for a fee

change fund - an amount of money used for making change in cash transactions

charge customer - a customer to whom a sale on account is made

chart of accounts - "official" list of account names and numbers

charter - legal document issued by a state to a corporation granting it the right to operate

closing entries - entries made to zero out temporary capital accounts

combination journal - multicolumn journal that combines general and special journals

combined or compound entry - entry with two or more debits and/or credits

contra accounts - an account whose balance is a deduction from ("contrary to") another account

controlling account - account in general ledger that summarizes accounts in a subsidiary ledger. Its balance must equal the total of all account balances in the subsidiary ledger.

corporation - business organization recognized by law to be its own legal entity

correcting entry - made to correct an error that is found after posting has been done

cost of goods sold (COGS) - actual cost to the business of merchandise sold to customers (BI+NP-EI)

credit - an amount on the right side of a T-account; an agreement to pay for a purchase at a later time

credit memo - issued to a charge customer for value of merchandise returned (DR Sales R&A; CR A/R)

credit terms - specify the time and any cash discount the customer is allowed before payment is due

creditor - one who has a claim to a business' assets; one to whom money is owed

D

debit - an amount entered on the left side of a T-account

debit memo-source document used to record return of merchandise to a supplier (DR A/P; CR Pur R&A)

depreciation - allocation of an asset's cost over the useful life of that asset

double-entry accounting - where each transaction affects at least two accounts and debits equal credits

drawing or withdrawal - when an owner takes cash or other asset from the business for personal use

due date - the date by which an invoice must be paid

E

ending inventory - merchandise on hand at the end of a fiscal period

equity - the total financial claims to the assets of a business (owner's or creditors')

expenses - costs of operating a business

expired insurance - value of insurance that has been used; should be shown as expense

external controls - controls on cash from outside a business

F

finance charge - interest on the unpaid balance of a charge account or installment sale

financial statements -reports prepared to summarize changes from business transactions that have occurred during a fiscal period

fiscal period - period of time covered by an accounting report (usually one year)

FOB destination - supplier pays shipping costs to the buyer's destination

FOB shipping point - buyer pays the shipping charge from the supplier's shipping point

footing - a column total written in small figures

G

general journal - all-purpose journal in which all transactions can be recorded

gross profit (on sales) - difference between revenue earned (net sales) and total cost of goods sold

I

income statement - reports net income or net loss for the accounting period it covers

Income Summary - account used to summarize (and close) revenue and expenses

insurance in force - value of insurance that has not been used up

interest - fee charged for the use of money (such as on loans)

internal controls - steps a business takes to protect cash and other assets

inventory - items of merchandise that business has in stock

invoice - business form that lists credit terms; quantity, descrip., unit price & total cost of items shipped

J

journal - book of original entry; chronological record of a business' transactions

journalizing - process of recording business transactions in a journal

L

ledger - book or file containing pages of accounts (general or subsidiary)

liabilities - debts of a business (what is OWED)

liquidity - the ease with which an asset can be converted to cash

list price - the established retail price of merchandise

loss - occurs when a business spends more than it earns (revenue < expenses)

M

manufacturing business - buys raw materials and transforms them into finished products

markup - an amount added to the cost of an item to arrive at its selling price

maturity date - the due date of a promissory note which principal and interest must be paid

memorandum - source document describing a miscellaneous transaction that takes place

merchandise - goods bought for sale to customers

merchandising business - a business that buys goods for resale at a profit to customers

mutual agency - ability of any partner to enter into valid contracts that are binding on all partners

N

negotiable - when ownership of a check, note or other financial instrument can be transferred

net purchases - purchases plus transportation in, less purchases discounts and purchases R&A

net sales - sales less sales R&A and sales discounts

not-for-profit organization - does not operate for the purpose of profit (charities, churches, etc.)

O

owner's equity - dollar amount of the owner's claims to the assets of a business (assets - liabilities)

P

packing slip - a form included in a shipment that lists the items being sent
partnership - a business owned by two or more persons who agree to operate jointly
permanent, real, or balance sheet accounts - ALOE accounts whose balances carry forward
petty cash - cash kept on hand for small payments (asset acct DR'd only when established / increased)
physical inventory - actual count of merchandise on hand
post-closing trial balance - trial balance (perm. accounts) prepared after closing entries are posted
posting - transferring journal information to an individual account in a ledger
premium - the amount paid for insurance
principal - the amount of money borrowed on a promissory note or bond
processing stamp - stamped on an invoice, outlines amount of discount, due date and net amount due
profit or gain - when a business earns more than it spends (revenue > expenses)
property - anything of value that is owned or controlled; economic resources of a business
proving cash - determining that cash in the accounting records agree with checkbook balance
proving the ledger or journal - insuring that debits equal credits
purchase discount - cash discount offered by suppliers for early payment of invoices
purchase on account (BOAP) - merchandise is bought and paid for later (DR Purchases; CR A/P)
purchase order - a written offer to a supplier to buy certain items
purchase requisition - a written request for approval that certain items be ordered
purchases - account used to record the cost of merchandise purchased for resale
purchases allowance - a price reduction given when a business keeps unsatisfactory merchandise
purchases journal - special journal used to record all purchases on account
purchases return - when merchandise previously bought is returned for full credit on account or refund

R

real property - land, land improvements, buildings and other structures attached to land
receipt - a source document prepared as a record of cash received by a business
retailer - a business that sells to the final user (consumer)
retained earnings - account to record earnings held by a corporation and not paid out as dividends
revenue - income earned by a business from the sale of goods and/or services
ruling - single lines indicate math to be performed; double lines under an amount indicate a total

S

sale on account (SOAR) - merchandise is sold with payment to be rec'd later (DR A/R; CR Sales)
sales - an account used to record merchandise sold
sales allowance - a price reduction granted by a seller to a customer for keeping damaged goods
sales discount - a cash discount offered to customers to encourage early payment
sales journal - special journal used to record only the sale of merchandise on account (DR A/R; CR Sales)
sales return - when merchandise is returned for full credit on account or cash refund
sales tax - tax levied by most states on the retail price of goods
schedule of accounts payable - list of all the creditors and the amounts owed to them
schedule of accounts receivable - list of all charge customers and the amounts due from them
service business - profit-oriented business that provides a needed service for a fee
slide - accidental misplacement of a decimal point in an amount
sole proprietorship - a business owned by one person
source document - paper prepared as evidence that a transaction occurred
special journal - a multi-column journal with columns reserved for specific accounts frequently used
statement of changes in owner's equity - summarizes effects of transactions on capital account
statement of changes in partners' equity - reports changes in the balance of partner's capital accounts
statement of retained earnings - reports changes that have taken place in the retained earnings acc't
subsidiary ledger - a ledger with accounts for either vendors/creditors (A/P) or customers (A/R)

T

T-account - tool used to show increase or decrease resulting from a transaction
temporary capital, nominal, or income statement accounts - (RED) revenue, expenses, drawing and cost of merchandise accounts whose balances are closed at the end of a fiscal period
tickler file - file with divisions for each day of the months; invoices are placed in it according to due date
trade discount - price reduction that reduces the list price of goods being sold (DR Purch for net amount)
transportation in - cost of goods account used to record shipping charges for merchandise purchased
transposition error - when two numbers are accidentally reversed
trial balance - proves equality of DRs and CRs; listing of account balances in first two columns of WS

W

wholesaler - a business that sells to retail businesses
worksheet - working paper (pencil o.k.) used to collect info. from general ledger for end-of-period work

Banking Vocabulary

ABA numbers - i.d. numbers assigned to banks by the American Bankers Assn.
bank card fee - fee charged by a bank for collecting a business' credit card sales (a % of those sales)
bank reconciliation - process of determining differences between bank statement & checkbook balances
bank service charge - fee charged a depositor by a bank for maintaining its bank records
bank statement - itemized record of all transactions occurring in a depositor's account
cancelled checks - paid checks that have been deducted from a depositor's bank account
check - written order from a depositor telling the bank to pay cash to the person named
checking account - bank account that allows a bank customer to make deposits and write checks
deposit in transit (DIT) - outstanding deposit that is recorded in checkbook but isn't on bank statement
deposit slip - bank form on which currency, coins and checks to be deposited are listed
direct deposit - depositing an employee's check directly into their checking account
dishonored check - a check not paid by a bank due to NSF, alteration, no signature, other mistake, etc.
drawee - the bank on which a check is written
drawer - the person who signs a check ("draws" the information on the check)
electronic funds transfer - system that allows funds to be transferred electronically between accounts
endorsement - authorized signature that is written or stamped on the back of a check (blank, signature only; special, paying to the order of a third party; restricted, "for deposit only" to a certain account)
NSF check - check returned by a bank due to insufficient funds in the drawer's checking account
outstanding check - check that has been written but has not "cleared" the bank
payee - person or business to whom a check is written
signature card - contains the signature(s) of the person(s) authorized to write checks on an account
stop payment order - demand by a depositor that the bank not honor a specific check
voiding a check - writing "Void" on the front of a check so it can't be used; record in CPJ as void ck / \$0

Payroll Vocabulary

accumulated earnings - an employee's year-to-date gross earnings
deduction - an amount that is subtracted from an employee's gross earnings
commission - an amount paid to an employee based on a percentage of the employee's sales
employee earnings record - individual payroll record with earnings, deductions, net pay & acc. earnings
exemption - an allowance claimed by a taxpayer that reduces the amount of taxes that must be paid
federal income tax (FIT) - income tax withheld from an employee's check that is a liability until paid
federal tax deposit coupon (Form 8109) - form accompanying tax deposits of FIT & FICA or FUTA
FICA taxes - social security and medicare taxes withheld by employers and paid to federal gov't
Form 940 - annual report of an employer's FUTA tax (9FUTY)
Form 941 - quarterly report of FIT and FICA taxes owed and deposited by an employer
FUTA tax - federal unemployment tax owed by employers; based on first 7,000 of each employees' pay
gross pay - earnings before deductions
net pay - earnings after deductions
overtime - rate of 1½ times an employee's regular rate of pay; paid for hours worked over 40 per week
pay period - the amount of time for which an employee is paid
payroll - a list of employees and payments due to each employee for a specific pay period
payroll register - a form that summarizes information about employees' earnings for each pay period
payroll tax expense - account used to record total amount of employer's SS, Medicare, FUTA & SUTA
piece rate - amount paid to an employee for each item, or piece, produced
required deductions - deductions required by law; e.g., SS, Med., FIT & SIT
salary - a fixed amount of money paid to an employee for each pay period
salary expense - account used to record gross earnings of all employees
state income tax (SIT) - income tax withheld from an employee's check that is a liability until paid
time card - record of the times employees arrive and leave, and number of hours worked each day
unemployment taxes - taxes paid (usually by employer only) to provide funds for out-of-work workers
voluntary deductions - deductions withheld from employees' checks at their request; e.g., loans, insur.
wage - an amount of money paid to an employee at a specified rate per hour
W-2 - (sent to you) annual wage and tax statement provided by employer to IRS and employee
W-3 - (you never see) transmittal of W-2's that summarizes all employees' W-2 information
W-4 - (you do before) form employees fill out when they are hired, with marital status & # of exemptions