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## Individual expenses are accumulated in separate

Accounting assets = Liabilities + Equity. Vendor amounts owed to vendors for goods or services purchased on credit. Customer amounts that are due from customers for services that have already been delivered. Assets Things of value owned by the business. Examples include cash, machinery and buildings. To their owners, assets have service potential or tools that can be measured and expressed in monetary terms. Balance sheet accounting showing the company's assets, liabilities and shareholders' equity (including dollar amounts) from a specific time. Also called a financial statement. Business unit concept (or accounting unit concept) The separate existence of the business organization. Capital Holding Title given to an equity account showing the investment in a business company by its shareholders. Continuity See the going-concern concept. Corporation Business incorporated according to the laws of one of the states and is owned by a few shareholders or by thousands of shareholders. Cost Sacrifice made or resources given up, measured in money terms, to obtain some desired things, such as a new truck (asset). Dividend Payment (usually of cash) to the owners of a company; There is a distribution of income to owners rather than a cost of doing business. Unit A business unit that is considered to have an existence separated and apart from its owners, creditors, employees, customers, other interested parties and other businesses, and for which accounting records are maintained. Shares Generally speaking, all requirements for, or interests in, assets; includes debt and shareholders' equity. Equity ratio A ratio found by dividing shareholders' equity by total shares (or total assets). Exchange-price (or cost) concept (principle) The objective money prices determined in the exchange process are used to register most assets. Expenses Costs accrued to produce income, measured by the assets surrendered or consumed in serving customers. Going-concern concept The assumption from the accountant that unless there is strong evidence to the contrary, a business unit will continue operating into the indefinite future. Income statement That shows revenue and expenses and reports the profitability of a business organization for a specified time period. Sometimes called an earnings statement. Debt Debt owed by a business - or creditors' equity. Examples: payable notes, vendor accounts. Production companies Companies that buy materials convert them into products, and then sell the products to other companies or to final customers. Merchandising companies Companies that buy goods ready for sale and sell them to customers. Monetary measurement concept Admission and reporting of economic activity in a common monetary unit of measure such as the dollar. Net income amounts revenues in a period exceed the expenses in the same period. Net loss Amounts that the costs in a period exceed the revenues in the same period. Notes are paid Amount owed to parties that lend the company money after the owner signs a written agreement (a note) for the company to repay each loan. Partnership A non-incorporated business owned by two or more persons affiliated with partners. Periodicity (time periods) concept An assumption that a unit's life can be divided into time periods (such as months or years) for the purpose of reporting their financial activities. Profitability Ability to generate revenue. The income statement reflects the company's profitability. Withheld earnings Accumulated net income from dividend distributions to shareholders. Revenue Inflow of assets (e.g. cash) as a result of the sale of products or the reproduction of services to customers. Service companies Companies (such as accounting firms, law firms, or dry cleaners) that perform services for a fee. Sole proprietorship A non-incorporated business owned by a person and often managed by the individual. Solvency Ability to pay debts as they are overdue. The balance sheet reflects the solvency of a company. Source document Any written or printed evidence of a business transaction that describes the basic facts of the transaction, such as receipts for cash paid or received. Cash flow accounts showing cash flows and outflows for a company over a period of time. Income statement withheld, which is used to explain the changes in earned equity that occurred between two balance sheet dates. Shareholders' equity The interests of the owners in a company. Shareholders or shareholders Owners of a company; they buy shares of shares, which are ownership units, in the company. Summary of transactions Teaching tools to show the effect of transactions on the accounting equation. Transaction A business activity or event that causes a measurable change in the items in the accounting equation, Fixed Asset = Debt + Equity. Accounting - the process of identifying, measuring and reporting financial information about a unit Accounting Equation - assets = debt + equity Accounts payable - money owed to creditors, suppliers, etc. Customers - money owed to a business, that is, credit sales Accrual accounting - a method by which the income is recorded and costed but not paid, but not yet invoiced Amortization - a list of expenses incurred and cost-effective, but not paid or a list of sales completed but not yet billed Amortization - gradually reducing the amount on an account over time , either assets or liabilities Asset - property with a cash value owned by a business or individual audit trail - a of each transaction, when it was made, by whom and where, used by auditors when validating the financial statement Auditors - third-party accountants who review a unit's accounting for accuracy and provide an excerpt to the effect Balance Sheet - summary of a company's financial status, including assets, liabilities and equity Accounting - record financial information Budgeting - the process of allocating forecasted income and expenses to accounting, what amounts will be compared to actual income and costs for analysis of deviations Capital stock - found in the equity portion of the balance sheet that describes the number of shares sold to shareholders at a predetermined value per share, also called common stock or preferred share Capital surplus - found in the equity portion of the balance sheet that accounts for the amount shareholders paid that is greater or less than the capital stock amount Capitalized Expense - expenses accumulated , not expensed as accrued, to be amortized over a period of time; it will want the development costs of a new product chart of accounts - a list of a company's accounts and their corresponding figures Cash-Basis Accounting - a method by which revenue and expenses are recorded when they are paid. Cash flow - a summary of cash received and paid that shows the beginning and closing amounts Close books / year-end closing - the process of reversing revenues and expenses for a fiscal year or calendar year and netting the amount of retained earnings Cost accounting - a type of accounting that focuses on registration, defining and reporting costs related to specific operating functions Cost of sold goods - expenses incurred in producing inventory; This may include materials, work, storage costs, depreciation and indirect costs. Credit - an account entry with negative value for assets, and positive value for debt and equity. Debit - an account entry with a positive value for assets, and negative value for debt and equity. Departmental accounts - separate operating departments in their own subunits in the income statement, showing individual income, expenses, and net profit by unit Depreciation - recognizing the decline 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 each transaction has a similarly positive and negative listing (debit and credits) Equity - money owed to the owner or owners of a company, also known as the owner's equity Accounting - accounts focused on reporting a unit's business to an external party; ie: shareholders Account - an item containing the balance sheet and the income statement Fixed asset - long-term permanent property; building, land, computers, etc. General ledger an overview of all financial transactions in a unit Goodwill - an intangible asset that reflects the value of an entity in excess of its durable assets Income statement - a summary of income and expenses Inventory - goods purchased for resale at a profit Inventory valuation - the method of entering the posted value of unsold inventory: that is, LIFO, last in, first out; FIFO, first in, first out; average, an average cost over a given period, last cost, cost based on the last purchase; standard, a considered amount associated with, but not related to a specific purchase, serialized, based on a uniquely identifiable serial number or sign of each inventory item invoice - the original billing from the seller to the buyer, describing what was purchased and the terms of sale, payment, etc. Costing the project - system of tracking costs associated with a job or project (work, equipment, etc) and comparing with forecasted costs Journal - a record in which transactions are registered, also known as an account Liability - money owed to creditors, vendors, etc Liquid Assets - cash or other property that can be easily converted into cash Loans - money borrowed from a lender and usually repaid with interest Master Account - an account on the ledger as subtotal subsidiary accounts assigned to it; Cash can be the main account for a list of custodian accounts in banks' net income - money that remains after all expenses and taxes are paid non-cash expenses - acknowledge the decline in the value of an asset; depreciation and amortization income - revenue generated from one-time transactions; that is: the sale of an old building Note - a written agreement to repay borrowed money; sometimes used instead of loans Operating costs (opex) - money used in the process of selling inventory (as opposed to developing inventory) Operating income - revenue generated from ordinary business Other income - revenue generated from other than usual business operations, that is, interest, rents, etc. Salary - a list of employees and their salary Posting - the process of entering then permanent storage or archiving accounting data Result - see net income Income Statement - see income statement Reconciliation - the process of matching one set of data to another; that is, the bank statement to the check register, the vendor journal of general ledger, etc. Withheld earnings - the amount of net profit retained and not paid to shareholders during the business's income - total earnings before expenses. Shareholder equity - capital and withheld earnings in a unit attributed to shareholders Single-Entry Bookkeeping - system of accounting in which transactions are entered into a bank statement - a summary of amounts owed to a vendor, lender, etc. Accounting - The sub-accounts that are summarized on the financial statement under main accounts; that is, Cash-ABC Bank may be one of several subsidiaries that are subtotaled under Cash Supplies - assets purchased to be consumed by the unit Treasury Stock - shares purchased by the unit from shareholders, reducing shareholders' equity Write-down / Write-down - an accounting entry that reduces the value of an asset due to a write-down of this asset; it will want the receivables from the bankrupt customer