

Accounting 1 Terms

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Standard	Objective	Term	Definition
1	1	Accounting	Planning, recording, analyzing, and interpreting financial information
1	1	Accounting System	A planned process for providing financial information that will be useful to management
1	1	Accounting Cycle	<ol style="list-style-type: none"> 1. Analyze business transactions 2. Journalize business transactions 3. Post to ledger accounts 4. Prepare a trial balance 5. Journalize & Post Adjusting Entries 6. Prepare an Adjusted Trail Balance 7. Prepare Financial Statements 8. Journalize and Post Closing Entries 9. Prepare a post-closing Trial Balance
1	2	GAAP	Generally Accepted Accounting Principals; the standards and rules to follow while recording and reporting financial activities
1	2	Accounting Concepts/Assumptions	Basic concepts that underlie all financial statements
1	2	Monetary Unit	Requires that only those things that can be exchanged in money are included in the accounting records
1	2	Economic/Business Entity	Every economic entity can be separately identified and accounted for
1	2	Time/Fiscal Period	The life of a business can be divided into artificial time periods and useful reports covering those periods can be prepared for the business
1	2	Full Disclosure	Requires that all companies disclose all circumstances and events that would make a difference to financial statement users
1	2	Cost Principle	Assets should be recorded at their cost
2	2	Going Concern	The business will remain in operation for the foreseeable future
1	6	Sole Proprietorship	A business owned by one person
1	6	Partnership	A business in which two or more persons combine their assets and skills
1	6	Corporation	An organization with the legal rights of a person and which may be owned by many persons
1	7	Service Business	A business that performs an activity for a fee
1	7	Merchandising Business	A business that purchases and sells goods
2	1	Assets	Anything of value that is owned
2	1	Liabilities	An amount owned by a business
2	1	Owner's Equity	The amount remaining after the value of all liabilities is subtracted from the value of all assets

2	1	Accounting Equation	$Assets = Liabilities + Owner's Equity$
3	1	Double-entry Accounting	The recording of debit and credit parts of a business transaction
3	1	Business Transaction	A business activity that changes assets, liabilities, or owner's equity
3	2	Permanent/Real Account	Accounts used to accumulate information from one fiscal period to the next
3	3	Temporary/Nominal Account	Accounts used to accumulate information until it is transferred to the owner's capital account at the end of the fiscal period
3	4	Debit	An amount recorded on the left side of a T account
3	4	Credit	An amount recorded on the right side of a T account
3	4	Normal Balance	The side of the account that is increased
3	4	Account Balance	The amount in an account
4	1	Source Document	A business paper from which information is obtained for a journal entry
4	1	Check	A business form ordering a bank to pay cash from a bank account
4	1	Invoice	A form describing the goods or services sold, the quantity, and the price
4	1	Memorandum	A form on which a brief message is written describing a transaction
4	1	Receipt	A business form giving written acknowledgement for cash received
4	1	Register Tape	A source document for daily sales
4	2	General Journal	A journal with two amount columns in which all kinds of entries can be recorded
4	2	Chronological Order	Recording transactions in the order in which they occur by date
4	4	General Ledger	A ledger that contains all accounts needed to prepare financial statements
4	4	Account Classification	Determining which classification an individual account belongs to. The account classifications for service businesses are as follows; Assets, Liabilities, Owner's Equity, Revenue, and Expenses.
4	4	Financial Statements	Financial reports that summarize the financial conditions and operations of a business. Income Statement Statement of Owner's Equity Balance Sheet
4	6	Trial Balance	A proof of the equality of debits and credits in a general ledger
4	6	Correcting Entry	A journal entry made to correct an error found in the ledger
5	2	Income Statement	A financial statement showing the revenue and expenses for a fiscal period
5	2	Revenue	An increase in owner's equity resulting from the operation of a business

5	2	Expenses	A decrease in owner's equity resulting from the operation of a business
5	2	Net Income	The difference between total revenue and total expenses when total revenue is greater
5	2	Net Loss	The difference between total revenue and total expenses when total expenses are greater
5	4	Balance Sheet	A financial statement that reports assets, liabilities, and owner's equity on a specific date
5	6	Ratio	A comparison between two items of financial information
5	6	Current Ratio	Current Assets divided by Current Liabilities
5	6	Profit Margin Rate	Net Income divided by Net Sales
6	1	Closing Entries	Journal entries used to prepare temporary accounts for a new fiscal period
7	1	Deposit Slip	A form used to place cash or checks in a bank account
7	1	Check	A business form ordering a bank to pay cash from a bank account
7	1	Endorsements	A signature or stamp on the back of a check transferring ownership
7	1	Blank Endorsement	An endorsement consisting only of the endorser's signature
7	1	Special Endorsement	An endorsement indicating a new owner of a check "Pay to the Order Of"
7	1	Restrictive Endorsement	An endorsement restricting further transfer of a check's ownership. "For Deposit Only"
7	1	Bank Statement Reconciliation	Used to verify that information on a bank statement and a checkbook are in agreement
7	1	Cash Proof	Determine if the amount of cash agrees with the balance of the cash account
7	1	Checkbook	Contains checks and helps account for all checks and assure that no checks have been lost or stolen
7	1	Bank Statement	A report of deposits, withdrawals, and bank balances sent to a depositor by a bank
7	2	Petty Cash	An amount of cash kept on hand and used for making small payments