

Glossary

Accounting cycle - The series of accounting activities included in recording financial information for a fiscal period. **(When you record how much money you made to how much money you spent in a certain length of time)**

Accounting system – A process for providing financial information that will be useful to management. **(A way to record your business earnings and expenses so you know what you did)**

Account name - The name given to an account so you know what it's for.

Accounts payable ledger – A report containing only accounts for vendors from whom items are purchased or bought on account. **(It's what you bought from your vendors and they allowed you to wait 30 days to pay)**

Accounts receivable ledger - a subsidiary ledger containing only accounts for charge customers. **(It's what your customers bought from you, and you allowed them 30 days to pay)**

Accrued expenses - Expenses incurred in one fiscal period but not paid until a later fiscal period. **(They billed it to you, you haven't paid them yet, but wrote it off on your tax return)**

Accrued Interest expense - Interest incurred but not yet paid. **(They billed it to you, you haven't paid it yet)**

Accrued Interest income - Interest earned but no yet received. **(You billed it out, they haven't paid it yet)**

Accrued revenue - Revenue earned in one fiscal period but not yet received until a later fiscal period. **(You billed it out, they haven't paid it yet, but you pay taxes on it)**

Accumulated Depreciation - The total amount of depreciation expense that has been recorded since the purchase of an asset. **(The IRS's way of controlling what you write off as a business expense)**

Adjusting entries - Journal entries recorded to update general ledger accounts at the end of a fiscal period. **(Your Accountants way of fixing all your mistakes)**

Adjustments – When your balances are off and you have no idea why.

Allowance method of recording losses from uncollectible accounts- Crediting the estimated value of uncollectable accounts to a contra account. What??? **(Writing it off to a bad debt account only if the IRS allows you to)**

Assessed value - The value of an asset determined by tax authorities for the purpose of calculating taxes. **(Their way of making sure you don't have too much)**

Asset - Anything of value that is owned by you.

Bad Debts – When your customers don't feel like paying you the money they owe you.

Balance Sheet - A financial statement that reports assets, liabilities, and owner's equity on a specific date. **(It's the How much money do I have, How much money do I owe, and How much money am I worth report.)**

Bookkeeper - A person who does general accounting work plus some summarizing and analyzing of accounting information. **(Someone who pays the bills, invoices the customers, and keeps track of how much money you have)**

Calendar Year – 12-month calendar starting January 1st and ending December 31st.

Capital - The account used to summarize the owner's equity in the business **(It's the keeping track of the money that you put in and took out of your business accounts)**

Capital stock - Total shares of ownership in a corporation.

Cash Over - A petty cash on hand amount that is more than a recorded amount. **(The account where you throw all your balancing errors into because you're off by one cent)**

Cash payments journal – A special journal used to record only cash receipt transactions **(Your petty cash account keeping track of all the McDonalds receipts that you have)**

Cash sale – A sale in which cash is received for the total amount of the sale at the time of the transaction. **(They bought it from you and paid you right away for it)**

Cash Short - A petty cash on hand amount that is less than a recorded amount. **(The account where you throw all your balancing errors into because you're off by one cent)**

Chart of accounts - A list of accounts used by a business. **(It's your great bill filing cabinet with all your yellow folders in it)**

Closing entries - Journal entries used to prepare temporary accounts for a new fiscal period. **(The ones that you will let your Accountant enter so you don't mess up your books)**

Correcting Entry - A journal entry made to correct an error in the ledger. **(To fix your mistakes when you post your entries to the wrong accounts)**

Cost of goods sold - The price a business pays for goods it purchases to sell. **(What it cost you to make or purchase the stuff you sell)**

Credit - An amount recorded on the right side of a T account. **(A decreasing entry to record double entry bookkeeping)**

Current Asset - Cash and other assets expected to be exchanged for cash or consumed within a year. **(Something that you own that you'll get rid of in less than a year)**

Current Liabilities - Liabilities due within a short time, usually within a year. **(Something that you owe that you think you can pay it back in less than a year)**

Customer - A person a business to whom merchandise or services are sold. **(They aren't always right)**

Debit - An amount recorded on the left side of a T account. **(An increasing entry to record double entry bookkeeping)**

Declining-balance method of depreciation - Multiplying the book value at the end of each fiscal period by a constant depreciation rate. **(What the IRS says it's worth divided by what the IRS says it's life will be)**

Depreciation expense - The portion of a plant asset's cost that is transferred to an expense account in each fiscal period during a plant asset's useful life. **(What the IRS says you can write an asset off for that year rather than it's full purchase price)**

Distribution of net income statement – A partnership financial statement showing distribution of net income or net loss to partners. **(What each partner is getting or losing out of the business)**

Dividends - Earnings distributed to stockholders. **(The company made money, divided it up to all the people who put money in.)**

Double-entry accounting - The recording of debit and credit parts of a transaction. **(To track what it is to what it's for by increasing and decreasing.)**

Employee earnings record - A business form used to record details affecting payments made to an employee. **(A Payroll report showing what you paid your employees.)**

Entry - Information for each transaction recorded in a journal. **(The information that you enter in all your checks, invoices, bills, and deposits so we know what it's for without having to guess.)**

Equities - Financial rights to the assets of a business. **(What the business has left over and is obligated to the owners.)**

Expense - A decrease in owner's equity resulting from the operation of a business. **(What it costs you to operate.)**

Federal Unemployment Tax - A federal tax used for state and federal administrative expenses of the unemployment program. **(Never received any of this, did you?)**

FICA tax – A federal tax paid by employees and employers for old-age, survivors, disability, and hospitalization insurance. **(Won't ever see any of this either.)**

Fiscal Period - The length of time for which a business summarizes and reports financial information. **(How long you record your earnings before your suppose to stop and start over again.)**

Fiscal Year – 12-month accounting period **(You have to stop somewhere.)**

General Journal - A journal with two amount columns in which all kinds of entries can be recorded. **(As long as they're legal.)**

General Ledger – A ledger that contains all accounts needed to prepare financial statements. **(Your detailed filing cabinet with all your checks, deposits, yatta yatta in it.)**

Gross profit on sales - The revenue remaining after cost of merchandise (goods) sold has been deducted. **(What you have left after your costs have been taken out of your income.)**

Income statement - A financial statement showing the revenue and expenses for a fiscal period. **(The How much Money did I make, or how much money did I lose report.)**

Interest expense - The interest accrued on money borrowed. **(You didn't have enough cash to buy it yourself, so you have to pay someone else additional money to use theirs.)**

Interest Income – The interest earned on money loaned. **(Your brother begged for money, and you said on one condition buy charging him interest.)**

Inventory - The amount of goods on hand. **(What ever you sell bought in excess that is sitting on your shelf.)**

Laymen's – A person not belonging to or skilled in a given profession. **(Someone who doesn't have to follow Corporate America rules to succeed because they don't have a Phd.)**

Liability - Any amount owed by a business. **(You received goods, services or money from someone and have to pay them back.)**

Long-term liabilities - Liabilities owed for more than one year. **(You don't think you'll be able to pay them back right away.)**

Manual accounting - An accounting system in which data is recorded and reported mostly by hand. **(Yuck.)**

Medicare - the federal health insurance program for people who have reached retirement age. **(As if we'll get this one either.)**

Net income - The difference between total revenue and total expenses when total revenue is greater. **(After your Costs and expenses are deducted from your income, you have money left.)**

Net loss - The difference between total revenue and total expenses when total expenses are greater. **(You didn't do so good.)**

Net Earnings - The total earnings paid to an employee after payroll taxes and other deductions. **(What their check is printed for when taxes are taken out.)**

Notes Payable - Promissory notes that a business issues to creditor. **(When you sign something stating that you will pay the person back who gave it to you.)**

Notes receivable - Promissory notes that a business accepts from customers. **(When they sign something and promise to pay you for money or goods they owe you.)**

Owner's equity - The amount remaining after the value of all liabilities is subtracted from the value of all assets. **(How much money your business has left only on paper after all is accounted for.)**

Owner's equity statement – A financial statement that summarizes the changes in owner's equity during a fiscal period. **(Did you take too much or put a lot in report.)**

Partner - Each member of a partnership **(Get a good contract agreement.)**

Partnership – A business in which two or more persons combine their assets and skills. **(When you share your business and idea with more than one person.)**

Pay period - The period covered by a salary payment. **(The amount of days you pay an employee at one time.)**

Payroll - The total amount earned by all employees for a pay period. **(Call a payroll service!)**

Payroll register - A business form used to record payroll information. **(A summary of how much your employees earned.)**

Payroll Taxes - Taxes based on the payroll of a business. **(It's what you have to pay if you have employees.)**

Post-closing trial balance - A trial balance prepared after the closing entries are posted. **(A report your Accountant will use to double check in case they messed up.)**

Posting - Transferring information from a journal entry to a ledger account. **(The entries your Accountant makes to your computer because you messed up.)**

Proprietorship - A business owned by one person. **(Freedom from having to ask someone's permission to go home sick.)**

Ratio – A comparison between two numbers showing how many times one number exceeds the other. **(Which ones bigger.)**

Retained earnings - An amount earned by a corporation and not yet distributed to stockholders. **(Just a number on a piece of paper that gives the company value.)**

Revenue - An increase in owner's equity resulting from the operation of a business. **(What you made after all is said and done.)**

Reversing entry - An entry made at the beginning of one fiscal period to reverse an adjusting entry made in the previous fiscal period. **(When we remove an entry posted to your books for tax breaks, and then re-record them so that your books balance.)**

Salary - The money paid for employee service.

Sales Tax - A State tax on a sale of merchandise or services.

Schedule of accounts payable - A listing of vendor accounts, account balances, and total amount due all vendors. **(A report of who you owe money too.)**

Schedule of accounts receivable - A listing of customer accounts, account balances, and total amount due from all customers. **(A report of who owes you money.)**

Service business – A business that performs an activity for a fee. **(You use your head or your hands to earn your money.)**

Social Security tax - see FICA

Sole Proprietor - see proprietorship

State unemployment tax - A state tax used to pay benefits to unemployed workers. **(This one is expensive in California.)**

Statement of stockholders' equity – A financial statement that shows changes in a corporation's ownership for a fiscal period. **(Did you or your partners sell or buy corporate shares report.)**

Stockholder - An owner of one or more shares of a corporation.

Straight-Line method of depreciation - Charging an equal amount of depreciation expense for a plant asset in each year of useful life. **(What you bought it for divided by what the IRS says its life will be)**

Supporting Schedule - A report prepared to give details about an item on a principal financial statement. **(Proof.)**

T-account - An accounting device used to analyze transactions. **(A line that separates debits from credits.)**

Temporary accounts - accounts used to accumulate information until it is transferred to the owner's capital account. **(The "I haven't a clue where it goes account, and let the accountant fix it".)**

Total earnings - The total pay due for a pay period before deductions **(Gross Pay, what your employees make before you take the taxes out.)**

Transaction - A business activity that changes assets, liabilities, or owner's equity. **(Did you buy something, sell something or take something entry.)**

Trial Balance – A proof of the equality of debits and credits in a general ledger. **(A condensed version of a general ledger without the detail, only the account name and total amount.)**

Un-collectible accounts - Accounts receivable that cannot be collected. **(They owe you money but will never pay you back.)**

Vendor - A business from which merchandise is purchased or supplies or other assets are bought. **(Who you buy your stuff from.)**

Working Capital - The amount of total current assets less total current liabilities. **(How much cash you have minus how much cash you owe equals what you have to work with.)**