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The American Institute of Certified Public Accountants (AICPA) has prepared this collection of definitions of accounting and financial terms to help reporters understand and cover business stories.

This accounting terminology guide is based on guides published by the New York State Society of CPAs and the Michigan Association of CPAs.

The AICPA Communications Division extends its gratitude to these state societies for their contributions to this publication.
Abatement—A complete or partial cancellation of a levy imposed by a government. Abatements usually apply to tax levies, special assessments and service charges.

Accelerated Depreciation—Any method of calculating depreciation charges where the charges get progressively smaller.

Acceptance—A promise to pay which is equivalent to a promissory note.

Account—A formal record of a particular type of transaction expressed in money or other unit of measurement and kept in a ledger.

Accounting—The recording and reporting of transactions.

Accounting Principles—The principles that explain current accounting concepts and practices and guide in the selection among alternative treatments for reporting transactions.

Accounts Payable—An amount owed to a creditor as the result of delivered goods or completed services.

Accounts Receivable—A claim against a debtor usually arising from sales or services rendered.

Accrual Basis—The method of accounting whereby transactions are recognized when they are incurred rather than when they are paid.

Accrued Expenses—Expenses incurred but not payable until a later date.

Accumulated Depreciation—An account used to represent the amount of depreciation of fixed assets since the date of acquisition.
Acquisition—The process of coming into ownership, control or possession of something.

Adjusted Gross Income—Total income from all sources less adjustments.

Adjusting Entry—An entry made to record a transaction or other accounting event which has not been properly recorded during the accounting period.

AICPA—The national professional organization of CPAs with a membership of over 250,000. In its continuing efforts to serve the public interest, the organization sets auditing standards, upholds the profession's code of ethics, provides continuing professional education and prepares and grades the Uniform CPA Examination.

Annual Report—A report for stockholders and other interested parties which includes the financial statements of an enterprise.

Annuity—A series of payments, usually at fixed intervals.

Appropriation—A legal authorization granted by a legislative body to make expenditures and to incur obligations for specific purposes. An appropriation is usually limited in amount and the time frame it may be used.

Articles of Incorporation—Document filed with state authorities by persons forming a corporation. When the document is returned with a certificate of incorporation, it becomes the corporation's charter.

Assess—To value property for the purpose of taxation.

Assessed Valuation—A valuation set upon real estate or other property by a government as a basis for levying taxes.

Assessment—(1) The process of making the official valuation of property for the purpose of taxation. (2) The valuation placed upon property as a result of this process.
Assessment Roll—In the case of real property, the official list containing the legal description of each parcel of property and its assessed valuation. The name and address of the last known owner are also usually shown.

Asset—Any owned physical object or intangible right having an economic value to its owner.

Audit—A systematic investigation of procedures to determine conformity with prescribed criteria. A critical review of the internal controls and accounting records of a business enterprise. An audit lends credibility to a company’s financial statements.

Audit Program—A detailed outline of work to be done and procedures to be followed in any given audit.

Auditor’s Opinion (Auditor’s Report)—A statement signed by an auditor which states he has examined the financial statements in accordance with Generally Accepted Auditing Standards with exceptions, if any, and which expresses an opinion about the financial statements of a company.

Bad Debt—An uncollectible receivable.

Balance—The difference between the sum of debit entries and the sum of credit entries into an account. If positive, the difference is called a debit balance; if negative, a credit balance.

Balance Sheet—The basic financial statement which discloses the assets, liabilities and equities of an entity at a specified date in conformity with generally accepted accounting principles (GAAP).

Bank Discount—Interest on a bank loan collected at the time the loan is negotiated.
Bankruptcy—The condition of insolvency, in which the assets of a debtor have been turned over to a receiver or trustee for administration.

Blind Entry—An entry stating only the accounts and the amounts debited and credited, but not giving other information essential to an adequate record.

Bond—A written promise to pay a specified sum of money (the face value or principal) at a specified date in the future (maturity date) together with periodic interest at a specified rate.

Bond Anticipated Notes—Short-term interest bearing notes issued by a government in anticipation of bonds to be issued at a later date. The notes are paid off from proceeds of that bond issue.

Bond Discount—The amount by which the face value of a bond exceeds the actual price for which it is bought or sold.

Bond Premium—The amount by which the actual sales price of a bond exceeds its face value.

Book Inventory—An inventory amount that results, not from physical count, but from amount of initial inventory plus invoice amounts of purchases less invoice amounts of requisitions or withdrawals.

Bookkeeping—The process of analyzing, classifying, and recording transactions in accordance with a preconceived plan, for the purpose of providing a means by which an enterprise may be conducted in an orderly fashion, and establishing a basis for recording and reporting the financial affairs of the enterprise and the results of its operation.

Book of Original Entry—The record in which the various transactions are formally recorded for the first time, such as the cash journal, check register, or general journal.

Book Value—The net amount at which an asset or group of assets appear on the records of a company, as distinguished from an asset’s market value or some intrinsic value.
Budget—Any financial plan serving as an estimate of and a control over future operations.

Calendar Year—A year that begins on January 1 and ends on December 31.

Callable Bond—A type of bond which permits the issuer to pay the obligation before the stated maturity date by giving notice of redemption in a manner specified in the bond contract.

Call Loan—A loan terminable at will by either party. The term is confined mostly to loans made by banks to stockbrokers.

Capital—The amount invested in a company by its owners. The word capital can also mean the amount of money needed by a company to finance a particular project.

Capital Assets—See FIXED ASSETS.

Capital Gain—The excess of proceeds over cost from the sale of a capital asset.

Carryovers—Losses and credits not used up previously because of yearly limits, that are deductible or creditable in future years.

Cash Basis—The method of accounting under which transactions are recognized only when cash is received or paid.

Cash Cycle—The series of transactions in a given entity whereby cash is converted into goods and services, goods and services are sold to customers, and cash is collected from customers.
Cash Discounts—An allowance received or given if payment is completed within a specific period of time. This term is not to be confused with “trade discount.”

Cash Flow—The increase or decrease in a company’s cash during a period of time. A cash flow statement shows where the company got the cash and the uses it made of cash.

Casualty Losses—Deductions for property damaged or destroyed by natural catastrophes or accidents, or stolen.

Certificate of Deposit (CD)—A formal instrument issued by a bank as evidence of indebtedness and arising from a deposit of cash subject to withdrawal under the specific terms of the instrument.

Certified Public Accountant (CPA)—A professional license granted by the various states to persons meeting certain educational, experience and examination requirements. The education and experience requirements vary from state to state, but typically would include a bachelors or masters degree with accounting and auditing coursework and at least two years qualified accounting experience. The examination requirements include passing the Uniform CPA Examination, a rigorous 2½ day test covering accounting theory, accounting practice, auditing, and business law. The exam is coordinated and graded by the American Institute of CPAs (AICPA), but is administered by the National Association of State Boards of Accountancy (NASBA). It is given twice a year, in May and November. A person certified in one state may generally obtain a CPA certificate/license in another state via the “reciprocity” agreements among the states.

Confirmation—Generally, the substantiation of a fact or condition by one having direct knowledge of it; the establishing of the truth of a statement; proof of existence, character, or amount.

Consolidated Financial Statements—The combination of statements issued by legally separate companies that show financial position and income as they would appear if the companies were one legal entity.
Contingent Annuity—An annuity whose number of payments depends upon the outcome of an event whose timing is uncertain at the time the annuity is set up.

Contingent Liability—An obligation, relating to a past transaction or other event, that may arise in consequence as a future event now deemed possible but not probable.

Continuity of Operations—The assumption in accounting that the business entity will continue to operate indefinitely. See GOING CONCERN.

Controller—The title often used for the chief accountant of an organization.

Corporation—A business incorporated under the laws of a state or other jurisdiction.

Cost Accounting—Classifying, summarizing, recording, reporting and allocating current or predicted costs.

Cost-Recovery Method—A method of revenue recognition that credits cost as collections are received until all costs are recovered. Only after costs are completely recovered is profit recognized. Used when the total amount of collections is uncertain.

Coupon—That portion of a bond redeemable at a specified date for interest payments.

Coupon Rate—The interest rate specified on interest coupons attached to a bond.

Credit—The ability to buy or borrow in consideration for a promised pay within a period.

Creditor—A person or enterprise to whom a debt is owed.

Credits—Items deducted in full from tax due.
Cross Indexing—The referencing of one item to another item in the records of a company or the work papers of an accountant.

Current Asset—An asset whose future benefit can or will occur within a short time, usually one year. These include cash, temporary investments and notes receivable which will be collected within one year.

Current Liability—Liabilities which are payable within one year.

Current Rates—As it refers to interest rates, the rate one can borrow money at any particular point in time.

Data Processing—The preparation and handling of information through a prescribed procedure, usually by mechanical or electronic means on a computer.

Debit Entry—A bookkeeping entry or posting recording the creation of or addition to an asset or an expense, or the reduction or elimination of a liability, credit, valuation account, or item of net worth or revenue; an entry on the left side of an account; the amount so recorded.

Debt—An obligation resulting from the borrowing of money or from the purchase of goods and services.

Debt Financing—Raising funds by issuing bonds or notes.

Declaration Date—Time when a dividend is declared.

Deductions—Eligible expenses that are subtracted from gross income to reach taxable income.
Default—Failure to pay interest or principal on a debt when due, or to perform any other obligation required by contract.

Deferred Annuity—An annuity whose first payment is sometime after the end of the first period.

Deferred Charges—Expenses which are not chargeable to the operations in the year in which they are made, but are carried on the asset side of the balance sheet and expensed in a later year.

Deferred Credits—See DEFERRED REVENUES.

Deferred Revenues—Revenue or income received or recorded before it is earned by a company.

Deferred Taxes—Taxes taken as an expense now to be paid to the government in a later year (this assumes a deferred credit).

Deficit—Expenses or costs in excess of revenue being received over a measured period of time.

Depreciation—In accounting terms, the expensing of an asset over its estimated useful life on a systematic and rational basis. This expensing of an asset is usually related to its lost usefulness, expired utility, or demunition of services. Through this process the entire cost of an asset is ultimately charged off as an expense.

Direct Costs/Expenses—The cost of any good or service that contributes to and is readily ascribable to product service output. Any other cost incurred being regarded as an indirect cost.

Direct Labor—The cost of labor directly expended in the production of specific goods or rendition of specific services.
**Direct Materials**—The cost of materials which become an integral part of a specific manufactured product or when consumed in the performance of a specific service.

**Disbursements**—Payment in currency or by check.

**Disclaimer**—The statement in an audit report, made by an auditor, indicating the inability to express an opinion on the fairness of the financial statements presented.

**Discount**—The difference between what an item is worth and what someone requires you to pay for it.

**Discount Rate**—Interest rate used to convert future payments to present values.

**Distribution Expense**—Expense of selling, advertising and delivery activities.

**Dividends**—Cash or other assets, evidences of corporate indebtedness, or shares of the issuer's capital stock constituting a distribution to a class of stockholders of a corporation, the amount ordinarily being charged to retained earnings (earned surplus).

**Double Entry**—The system of recording transactions that maintains the equality of the accounting equation; each entry records equal debits and credits.

**Earned Income Credit**—A tax refund or subsidy for qualifying low income taxpayers with dependent children.

**Earnings Statement**—One of the basic financial statements presented in a financial report which analyzes a company's profit for the year.
Effective Tax Rate—Your total income taxes as a percentage of your total income.

Encumbrance—An anticipated expenditure, evidenced by a contract or purchase order, or determined by administrative action.

Entitlements—The amount of payment to which a state or local government is entitled as determined by the federal government (e.g., The Director of the Office of Revenue Sharing) according to a predetermined allocation formula.


Equity—A claim to assets; a source of assets.

Expenditures—The incurring of a liability, the payment of cash or the transfer of property for the purpose of acquiring an asset or service or settling a loss.

Face Value—The nominal amount due at maturity from a bond or other security.

Favorable Variance—An excess of projected cost over actual cost or of actual revenue over projected revenue.


Fiduciary—Someone responsible for the custody or administration of property belonging to another, such as an executor of an estate.
FIFO—The abbreviation for “First In, First Out.” An accounting method of pricing inventory under which the costs of the first goods acquired are the first costs charged to expense.

Financial Accounting Standards Board (FASB)—Independent, private, non-governmental authority for establishment of accounting principles in the United States.

Financial Statement—A balance sheet, income statement, funds statement, or any supporting statement or other presentation of financial data derived from accounting records.

Fiscal Year—A period of 12 consecutive months chosen by a business as the accounting period for annual reports.

Fixed Assets—Assets of a long-term character which are intended to continue to be held or used (e.g. building, machinery).

Fixed Budget—A plan that provides for specified amounts of expenditures and receipts that do not vary with activity levels.

Flexible Budget—Budget that projects expenditures and receipts as a function of activity levels.

Footnotes—Appended to a financial statement. A medium for imparting additional information indexed to a particular item. This data is required whenever the title customarily attached to a monetary item is inadequate for its sensible understanding.

Full Disclosure—The reporting policy requiring that all significant or material information is to be presented in the financial statements.

Fund—in regard to governmental units, a fund is a set of accounts recording cash and other financial resources, which are separated by legal or other limitations, to carry on specific activities or attain certain objectives.
**Fund Balance**—The assets (less liabilities) of a particular fund.

**Gain**—Excess of revenues over expenses from a specific transaction.

**General Debt**—Debt of a governmental unit legally payable from general revenues and backed by the full faith and credit of the governmental unit.

**General Fund**—(governmental and institutional accounting) The assets and liabilities available for general purposes, as distinct from funds established for specific purposes.

**General Ledger**—A book, file or other device which contains the accounts needed to reflect the financial position and the results of operations of an entity. In double entry bookkeeping, the debits and credits in the general ledger are equal.

**General Obligation Bonds**—Bonds for the payment of which the full faith and credit of the issuing government are pledged.

**Generally Accepted Accounting Principles (GAAP)**—Uniform minimum standards of and guidelines to financial accounting and reporting. The conventions, rules and procedures necessary to define accepted accounting practice at a particular time; includes both broad guidelines and relatively detailed practices and procedures.

**Generally Accepted Auditing Standards (GAAS)**—The standards governing the conduct of external audits by public accountants, as approved and adopted by the membership of the AICPA. They are concerned with the auditor's professional qualities and with the judgement exercised in the performance of an audit.
**Going Concern**—Any enterprise which is expected to continue operating indefinitely in the future; hence its collective assets, liabilities, revenues, operating costs, personnel policies and prospects.

**Going Public**—Any of a collection of actions related to offering a corporation's shares to the general public rather than having them held by relatively few stockholders.

**Goodwill**—The excess of cost paid for an acquired firm or operating unit over the current or fair market value of net assets of the acquired unit.

**Governmental Accounting Standards Board (GASB)**—Established as an arm of the Financial Accounting Foundation in April 1984 to promulgate standards of financial accounting and reporting with respect to activities and transactions of state and local government entities. The GASB is the successor organization to the National Council on Governmental Accounting (NCGA).

**Grants**—Contributions or gifts of cash or other assets from a government generally to be used or expended for a specific purpose, activity or facility.

**Gross**—Not adjusted or reduced by deductions or subtractions.

**Gross National Product**—The market value of production within the nation during any given calendar year, “production” meaning domestic sales of goods and services to natural persons and to government, plus the excess of exports over imports.

**Head of Household**—Filing status that has a lower tax rate than single or married filing a separate return.

**Holding Company**—A business that confines its activities to owning stock in and supervising management of other companies.
Holding Period—The period during which an asset is owned.

Imprest Account—An account into which a fixed amount of money is placed for the purpose of minor disbursements. See PETTY CASH.

Imprest Fund—Petty cash fund.

Improvement—An expenditure to extend the useful life of an asset or to improve its performance.

Income—A term used in accounting to represent (1) revenues or (2) the excess of revenues over expenses.

Income Statement—The summary of revenues and expenses for the period ending with net income for the period.

Independence—In accounting terminology, a CPA having no financial stake or other interest in the company on whose financial statements he/she has expressed his/her professional opinion. Independence is the focal point around which a CPA’s credibility as an independent auditor is based.

Indirect Cost—Functional cost not attributed to the production of a specified group or service, but to an activity associated with the production of it.

Industrial Revenue Bonds—Bonds issued by governments, the proceeds of which are used to construct facilities for a private business enterprise. Lease payments made by the business enterprise to the government are used to service the bonds. Such bonds may be in the form of general obligation bonds, combination bonds, or revenue bonds.
**Insolvent**—Unable to pay debts when due. Said of a company even though assets exceed liabilities.

**Intangible Assets**—An asset having no physical existence but having value because of the rights conferred as a result of its ownership and possession—trademarks, patents.

**Intergovernmental Revenues**—Revenues from other governments such as grants, entitlements and shared revenues.

**Interim**—The preparation of a financial statement covering a period less than a company's full fiscal year.

**Internal Audit**—An audit conducted by employees for managerial purposes to ascertain whether or not internal control procedures are working as opposed to an external audit conducted by a CPA for financial reports.

**Internal Control**—The procedures carried out by management of a business to attempt to insure that operations are carried out or recorded as planned. Particularly in the context of cash transactions, often referred to as an internal check.

**Internal Revenue Code**—The codification of the numerous revenue acts passed by Congress which comprise our existing tax laws.

**In the Black (Red)**—Operating at a profit (loss).

**Inventory**—A systematic valuation by a company of the products that it sells or manufactures. An inventory represents the detailed listing of these items required to be valued on a consistent basis from period to period by a company.

**Investment**—An expenditure to acquire property, tangible or intangible, which yields some income or service.
Investment Banker—An organization that buys bonds or stock issues in their entirety from the issuing corporation, or participates with others in such a purchase.

Investments in Default—Investments on which there is a delinquency in the payment of principal or interest.

Invoice—A document listing items sold, together with prices, the customer’s name and the terms of sale.

Issue—When a corporation exchanges its stock or bonds for cash or other assets, the corporation is said to issue, not sell, that stock or bonds.

Journal—The place where an enterprise records its financial transactions. The journal can take the form of a written document or a computerized information center.

Journal Entry—A recording in a journal, of equal debits and credits, with an explanation of the transaction, if necessary.

Judgement—An amount due to be paid or collected as the result of a court order.

Junior Accountant—An entry level employee of a public accounting firm whose activities are closely supervised by a senior accountant.
Keogh—Retirement contribution plan for self-employed.

Kiting—Writing checks against a bank account with insufficient funds to cover them, hoping to make deposits that will be received by the bank before the checks arrive for clearance.

Lease—The conveyance of land, buildings or equipment or other assets from one person (lessor) to another (lessee) for a specific period of time in return for rent or other consideration.

Lease-Purchase Agreements—Contractual agreements which are termed "leases," however, in substance, amount to purchase contracts.

Ledger—A book of accounts in which the financial transactions of an entity are recorded.

Leveraged Lease—A lease of property that is financed by a long-term creditor other than the lessee or the lessor. The long-term creditor usually does not have recourse to the general credit of the lessor in the event of default.

Levy—(Verb) To impose taxes, special assessments, or service charges for the support of activities. (Noun) The total amount of taxes, special assessments, or service charges imposed by an entity, often a government.

Liability—Debts or obligations owed by one entity, a debtor, to another entity, a creditor, payable in money, goods or services.
LIFO—The abbreviation for “Last In, First Out.” An accounting method of pricing inventory under which the costs of the last goods acquired are the first costs charged to expense.

Limited Liability—A liability restricted by law or contract (e.g. stockholders of corporations are not personally liable for debts of the company).

Limited Partner—Member of a partnership not personally liable for debts of the partnership; every partnership must have at least one general partner who is fully liable.

Liquid Assets—Cash, marketable securities and, sometimes, receivables.

Liquidation—The winding up of a business by converting its assets to cash and distributing the cash to the proper parties.

Long-Term Debt—Debt with a maturity of more than one year after the date of issuance.

Machinery & Equipment—Tangible property of a more or less permanent nature, other than land or buildings and improvements thereon. (i.e. machinery, tools, trucks, cars, furniture, and furnishings.)

Management (Managerial) Accounting—Reporting designed to enhance the ability of management to do its job of decision-making, planning and control.

Margin—Excess of selling price over direct cost per unit.

 Marketable Securities—Stocks and bonds of other companies held that can be readily sold on stock exchanges or over-the-counter markets and that the company plans to sell as cash is needed.
Materiality—A judgement decision by an auditor as to the relative importance of an item for purposes of disclosure in financial statements.

Matured Bonds Payable—A liability account reflecting unpaid bonds which have reached or passed their maturity date.

Monetary Items—Amounts fixed in dollar terms by statute or contract. Cash, accounts receivable, accounts payable and debts.

Mortgage Debt—Debt secured by a mortgage against specified properties of an entity.

Municipal Bond—A bond issued by a village, town, city, county or state. Interest on such bonds is generally exempt from federal income taxes.

Mutual Fund—An investment company that issues its own stock to the public and uses the proceeds to invest in securities of other companies.

Net Income (Net Earnings)—The excess of all revenues and gains for a period over all expenses and losses of the period. The final line of a company's profit and loss statement. This amount reflects the company's final profit for the period after income taxes.

Net Loss—The excess of all expenses and losses over revenues and income for the period.

Net Sales—This amount reflects a company's sales for a period less any adjustments for discounts, credits or other miscellaneous items.

Non-Operating—Items in a company's statement of earnings which are not directly related to their main service or business activity.
Notes Payable—In general, an unconditional written promise signed by the maker to pay a certain sum in money on demand, or at a fixed or determinable time, either to the bearer or to the order of a designated person.

Notes to Financial Statements—The summary of significant accounting policies and other disclosures required for a fair presentation of the basic financial statements of an entity in conformity with Generally Accepted Accounting Principles which are not included on the face of basic financial statements.

Objectivity—The reporting policy implying that formal recognition will not be given to an event in financial statements until the magnitude of the events can be precisely measured and is subject to independent verification.

Obligations—Amount which an entity may be legally required to pay. This includes actual liabilities as well as guarantees made to assure the payment of liabilities of others.

Obsolescence—A decline in market value of an asset caused by improved alternatives becoming available that will be more cost-effective; the decline in market value is unrelated to physical changes in the asset itself.

Operating Income—The excess of operating revenues over operating expenses.

Opinion—The auditor's report containing his attestation or lack thereof.

Outlay—The paying out of cash; the incurring of the liability to pay cash.

Output—Physical quantity or monetary measurement of goods and services produced.
**Overdraft**—The amount by which checks, drafts, or other demands for payment on the treasury or on a bank exceed the amount of the credit against which they are drawn.

**Overhead Costs**—Any cost not directly associated with the production of identifiable goods and services.

**Over-the-Counter**—Pertaining to transactions not consummated through an established stock exchange.

**Paper Profit**—A gain not yet realized through a transaction.

**Parent Company**—Company owning more than 50 percent of the voting shares of another company (the subsidiary).

**Partnership**—A contractual relationship based on a written, oral or implied agreement between two or more persons. Unlike a corporation, a partnership does not stand on its own as a separate legal entity. Rather, a partnership acts as a legal vehicle binding two or more persons together in a business.

**Par Value**—An arbitrary value placed on a share of stock at the time the corporation seeks authorization of the stock.

**Perpetual Inventory**—The system whereby the inventory quantities of a company are maintained on a continuous basis as opposed to resorting to a physical count at any particular point in time.

**Petty Cash**—A relatively small amount of cash on hand or on deposit available for minor disbursements and usually maintained under the imprest system.
**Post**—To record entries in an account in a ledger; usually the entries are copied from a journal.

**Prepaid**—The payment of an asset in advance of the period to which it will benefit. (i.e. paying insurance or rent in advance.)

**Present Value**—The value today of future payments made either in a lump sum or in a series. The present value of these future payments is usually less than the actual cash outlay because money has a time value called interest.

**Pretax**—This term refers to the earnings of a company for a period before any reduction for federal, state and local income taxes.

**Prime Rate**—The rate for loans charged by commercial banks to their most preferred risks.

**Pro Forma**—Hypothetical statements. Financial statements as they would appear if some event, such as a merger, had occurred.

**Progressive Tax**—Tax for which the rate increases as the taxed base, such as income, increases.

**Promissory Note**—An unconditional written promise to pay a specified sum of money on demand or at a specified date (note payable).

**Proprietorship**—Assets minus liabilities of an entity; equals contributed capital plus retained earnings.

**Prospectus**—Formal written document describing securities to be issued.

**Purchase Method**—Accounting for a merger by adding the acquired company’s assets at the price paid for them to the acquiring company’s assets.
Qualification—A statement in an auditor's report or certificate directing attention to any important limitation attending his/her examination or to his/her doubt or disagreement as to any item reported.

Quality Review—A term applied to a mutually arranged testing of one CPA's professional practices by another, or by a professional body created for that purpose.

Receipts—Cash or other assets received.

Reconciliation—A calculation that shows how one balance or figure is derived systematically from another.

Redemption Value—The price to be paid by a corporation to retire bonds or preferred stock if called before maturity.

Register—A record for the consecutive entry of a certain class of events, documents, or transactions, with proper notation of all the required particulars. The form of registers varies from a one-column to a multi-columnar sheet of special design where the entries are distributed, summarized, and aggregated for convenient posting to the accounts.

Regressive Tax—Tax for which the rate decreases as the taxed base, such as income, increases.
Reorganization—A major change in the capital structure of a corporation that leads to changes in the rights, interests and implied ownership of the various security owners. Usually results from a merger or agreement by senior security holders to take action to forstall bankruptcy.

Replacement Cost—The cost at current prices in a particular locality or market area of replacing an item of property or a group of assets.

Requisition—A written demand or request, usually from one department to the purchasing officer or to another department, for specified articles or services.

Reserve—(1) An account used to earmark a portion of equity or fund balance to indicate that it is not appropriate for expenditure; and (2) an account used to earmark a portion of equity or fund equity as separated legally for a specific future use.

Restricted Assets—Monies or other resources, the use of which is restricted by legal or contractual requirements.

Retained Earnings—The accumulated earnings of a company since its inception retained in a business for future needs or for future distribution to its owners. When a company has a loss for a year, it is subtracted from retained earnings. Therefore, retained earnings is a constantly changing amount on a company’s balance sheet.

Revenue—Sales of products, merchandise and services and earnings from interest, dividends, and rents reflected as one amount on a company’s statement of earnings.

Risk Premium—Extra compensation paid to an employee or extra interest paid to a lender, over amounts usually considered normal, in return for their undertaking to engage in activities more risky than normal.
SEC—Securities and Exchange Commission. An agency authorized by the U.S. Congress to regulate, among other things, the financial reporting practices of most public corporations.

Securities—A general term for any kind of transferable certificate of ownership or indebtedness. Bonds, notes, mortgages or other forms of negotiable or non-negotiable interests.

Segment/Intersegment—A fairly autonomous unit or division of a company based upon the nature of sales or form of operations. The financial statements of a company will reflect the operations and the earnings of its various segments. This is sometimes referred to as segment reposting.

Shared Revenues—Revenues resulting from levies by one government but shared on a predetermined basis with another government or class of governments often in proportion to the amount collected at the local level.

Short-term—Current; ordinarily, due within one year.

Sole Proprietorship—A business enterprise in which all owner’s equity belongs to one person.

Stockholder—A person or enterprise owning a share or shares of stock in a corporation.

Special Assessment—A compulsory levy made against certain properties to defray part or all of the cost of a specific improvement or service deemed to primarily benefit those properties.
**Standard Cost**—The predetermined cost of performing an operation or producing a product when labor, materials, and equipment are utilized efficiently under reasonable and normal conditions. Normal conditions exist when there is an absence of special or extraordinary factors affecting the quality or quantity of the work performed, or the time or method of performing it.

**Statement of Changes in Equity**—The basic financial statement which reconciles the equity balances of an entity at the beginning and end of an accounting period in conformity with generally accepted accounting principles (GAAP).

**Statement of Changes in Financial Position**—The basic financial statement which presents information on the amount of the sources and uses of an entity’s cash or working capital during an accounting period in conformity with GAAP.

**Statement of Financial Condition & Statement of Financial Position**—See BALANCE SHEET.

**Statement of Income**—This basic financial statement presents the revenue, expenses, gains, losses, and net income (net loss) recognized during a period. Also, it presents an indication of the results of an enterprise’s profit-directed activities during a period. The information presented in an income statement is usually considered the most important information provided by financial accounting since profitability is of supreme concern to those interested in the economic activities of an enterprise.

**Statement of Receipts and Disbursements**—A list of incoming and outgoing cash during any specified period of time; usually classified on an object basis.

**Subsidiary**—A corporation, owned or controlled by a holding or parent company, most often through the ownership of voting stock. The operations of a subsidiary are usually included in the financial statements of the parent company.

**Subsidiary Ledger**—The supporting ledger consisting of a group of accounts the total of which is in agreement with the control account. Examples include, customers ledger, creditors ledger and factory ledger.
**Suspense Account**—An account which carries charges or credits temporarily pending the determination of the proper account or accounts to which they are to be posted.

**Takeover**—The acquisition of a going business by another through outright purchase, exchange of capital stock, or other device.

**Tangible Asset**—Any asset having physical existence.

**Tariff**—A tax levied on goods imported or exported. Under the U.S. Constitution, a tax on exports is forbidden.

**Tax**—A charge levied by a governmental unit against the income or wealth of a person, natural or corporate, for the common benefit of all.

**Tax Anticipation Notes**—Notes (sometimes called warrants) issued in anticipation of collection of taxes, usually retirable only from the proceeds of the tax levy whose collection they anticipate.

**Tax Credit**—A direct reduction in the amount of tax liabilities.

**Tax Liens**—Claims which governments have upon properties until taxes levied against them have been paid. This term is sometimes limited to those delinquent taxes for the collection of which legal action has been taken through the filing of liens.

**Taxable Income**—Income subject to tax by any governmental authority.

**Term Bonds**—Bonds all of which mature on the same date.
**Term Loan**—A form of loan by banks to business enterprises taking the form of five-to-ten-year unsecured notes, the proceeds often being used in the purchase of equipment.

**Trade Discount**—The discount allowed to a class of customers on a list price before consideration of credit terms.

**Transaction**—An event or condition the recognition of which gives rise to an entry in accounting records.

**Treasury Stock**—Fully paid capital stock reacquired by the issuing company through gift, purchase, or otherwise, and available for resale or cancellation.

**Trial Balance**—A list of the balances of the accounts in a ledger kept by double entry, with the debit and credit balances shown in separate columns. If the totals of the debit and credit columns are equal or their net balance agrees with a control account, the ledger from which the figures are taken is said to be “in balance.”

**Trust**—A right, enforceable in courts of equity, to the beneficial enjoyment of property, the legal title to which is in another.

**Unamortized**—This accounting term refers to the portion of an intangible asset which has not yet been expensed.

**Unbilled**—This refers to revenues or costs of a company which have not yet been billed to customers or have not yet been billed to the company by its vendors.

**Unearned Income**—Revenue received but not yet earned.
**Unearned Revenue**—See UNEARNED INCOME

**Unqualified Opinion**—A standard report issued by the CPA on the financial statement of a company. This report contains no exceptions, qualifications or disclaimers. An unqualified opinion states the basic financial statements of a company are fairly presented in conformity with Generally Accepted Accounting Principles applied on a basis consistent with the prior year.

**Variable Annuity**—An annuity whose periodic payments depend upon some uncertain outcome, such as stock market prices.

**Variance**—Difference between actual and standard costs or between budgeted and actual expenditures.

**Voucher**—A document that serves to recognize a liability and authorize the disbursement of cash.

**Warrant**—A certificate entitling the owner to buy a specified amount of stock at a specified time for a specified price.

**Wasting Asset**—An asset that diminishes in value by reason of and commensurately with the extraction or removal of a natural product such as ores, oil and timber, which it contains.

**Withholding**—Deductions from salaries or wages, usually for income taxes, to be remitted by the employer, in the employee's name, to the taxing authority.
**Working Capital**—Current assets minus current liabilities.

**Working Papers**—The schedules and analyses prepared by the auditor in carrying out investigations prior to issuing an opinion on financial statements.

**Work in Process**—The cost of partially completed products manufactured or processed.

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**Yield**—The actual, as distinct from the nominal, rate of return on an investment.

**Yield to Maturity**—At a given time, the internal rate of return of a series of cash flows, usually said of a bond.

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**Zero-Based Budgeting**—A budgeting approach under which each expense starts at zero each planning period. Each dollar in a zero-based budget must be justified on its own.