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Terminology Department

American Institute of Accountants. Special Committee on Terminology

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CONDUCTED BY THE SPECIAL COMMITTEE ON ACCOUNTING TERMINOLOGY OF
THE AMERICAN INSTITUTE OF ACCOUNTANTS

The committee publishes below tentative definitions which it has prepared of the word *Fund*, together with several of its more important derivatives, and a list of the various funds of which the committee has information:

FUND

A fund is a sum of money or its equivalent employed in, set aside for or available for a specific or general purpose. As used in accounting:

A. A sum of money or its equivalent set aside, usually in periodical instalments, to meet or to be available for some future requirement or contingency, e.g., sinking fund; replacement fund; contingent fund.

B. A sum of money or its equivalent, the income from which is to be devoted to a specific or general purpose, e.g., a fund for a charitable trust or foundation; a trust fund created by will.

C. A sum of money accumulated for or appropriated to the immediate needs of a stated object, e.g., a fund raised by a Red Cross drive; a fund to pay off a church mortgage.

D. A sum of money advanced to a designated custodian from which current expenditures are to be made and accounted for, e.g., working fund; petty-cash fund; imprest fund.

A fund, except as applied to educational, eleemosynary or religious organizations, is invariably a debit and is created by an actual transaction; whereas a reserve account is created by bookkeeping entry out of current or past profits or unearned surplus and is invariably a credit. A fund may be created with or without a corresponding reserve and, conversely, a reserve may be created with or without a corresponding fund.

In the case of the above-mentioned organizations, the word "fund" is commonly used to denote the credit account reflecting the trust liability for the unexpended balance of money or its equivalent acquired for general or specific purposes, but this use of the word should be discouraged and the term "liability for fund" or "principal of fund" is suggested to be used in its place.

FUNDS

The word fund, as used in the plural, denotes cash, except in the case of "The funds," a term used in Great Britain to denote government securities.

CONTINGENT FUND

A fund set aside to meet future contingencies.

ENDOWMENT FUND

Property acquired by gift, devise or bequest, the income from which is to be used for general or specific purposes.

IMPREST FUND

A definite sum of money advanced to a custodian to provide for current disbursements, which should at all times contain cash and/or

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vouchers equal to the amount advanced. The custodian is periodically reimbursed and the fund thus reestablished. The amount advanced may be changed from time to time to meet a change of requirements.

RESERVE FUND (or RESERVED FUND)

Any fund which has a reserve account as an offsetting credit.

In Great Britain the term "Reserve fund" is frequently used to indicate that which in the United States is usually described as "Surplus" or some reservation thereof.

SINKING FUND

A sum of money periodically set aside to accumulate through deposit or investment so that at a given date the total accumulation will approximately equal the amount of the obligation for the redemption or retirement of which the fund was created.

FUND

accumulative-sinking	guarantee	rotary
active	imprest	savings
advertising	improvement	self-insurance
amortization	income-tax	sinking
annuities	industrial-accident	special
badge	insurance	specific
beneficial	insurance-participation	stock-sinking
benefit	investment	stock-subscription
bond-redemption	liability-insurance	strike
bond-retirement	loan	superannuation
capital	mines-extinguishment	trust
capital-amortization	non-accumulative-	undesignated
construction	sinking	welfare
contingent	obligatory	working
debenture	optional	workmen's
defense	passive	compensation
depletion	pension	
depreciation	petty-cash	<i>FUNDS</i>
designated	profit-sharing	available
dividend-guarantee	provident	cash
emergency	redemption	corporate
employees' benevolent	rehabilitation	impounded
employees' bonus	reinvestment	insufficient
employees' compensation	relief	private
employees' liability	renewal	public
employees' saving	repair	restricted
endowment	replacement	surplus
general	replanting	unrestricted
grant	reserve	
gratuity	reserved	<i>FUNDS IN ESCROW</i>
	revolving	<i>FUNDS, THE</i>

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