

## ACCOUNTING DICTIONARY

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### A

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**Account** a record summarizing all the information pertaining to a single item in the accounting equation

**Account balance** the amount in an account

**Account number** the number assigned to an account

**Account title** the name given to an account

**Accounting** planning, recording, analyzing, and interpreting financial information

**Accounting cycle** the series of accounting activities included in recording financial information for a fiscal period

**Accounting equation** an equation showing the relationship among assets, liabilities, and owner's equity

**Accounting period** see *Fiscal period*

**Accounting records** organized summaries of a business's financial activities

**Accounting system** a planned process for providing financial information that will be useful to management

**Accounts expenses** expenses incurred in one fiscal period but not paid until a later fiscal period

**Accounts payable ledger** a subsidiary ledger containing only accounts for vendors from whom items are purchased or bought on account

**Accounts receivable ledger** a subsidiary ledger containing only accounts for charge customers

**Accounts receivable turnover ratio** the number of times the average amount of accounts receivable is collected during a specified period

**Accrual basis of accounting** the accounting method that records revenues when they are earned and expenses when they are incurred

**Accrued expenses** expenses incurred in one fiscal period but not paid until a later fiscal period

**Accrued interest expense** interest incurred but not yet paid

**Accrued interest income** interest earned but not yet received

**Accrued revenue** revenue earned in one fiscal period but not received until a later fiscal period

**Accumulated depreciation** the total amount of depreciation expense that has been recorded since the purchase of a plant asset

**Acid-test ratio** a ratio that shows the numeric relationship of quick assets to current liabilities

**Adjusting entries** journal entries recorded to update general ledger accounts at the end of a fiscal period

**Adjustments** changes recorded on a work sheet to update general ledger accounts at the end of a fiscal period

**Administrative expenses budget schedule** a statement that shows the projected expenses for all operating expenses not directly related to selling operations

**Aging accounts receivable** analyzing accounts receivable according to when they are due

**Allowance method of recording losses from uncollectible accounts** crediting the estimated value of uncollectible accounts to a contra account

**Amortization** recognizing a portion of an expense in each of several years

**Appropriations** authorizations to make expenditures for specified purposes  
**Articles of incorporation** a written application requesting permission to form a corporation  
**Assessed value** the value of an asset determined by tax authorities for the purpose of calculating taxes  
**Asset** anything of value that is owned  
**Auditing** the independent reviewing and issuing of an opinion on the reliability of accounting records  
**Auditor** a person who examines the records that support the financial records of a business to assure that generally accepted accounting principles (GAAP) are being followed  
**Automatic check deposit** depositing payroll checks directly to an employee's checking or savings account in a specific bank  
**Average number of days' sales in merchandise inventory** the period of time needed to sell an average amount of merchandise inventory

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## B

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**Bad debts** see *Uncollectible accounts*  
**Balance sheet** a financial statement that reports assets, liabilities, and owner's equity on a specific date  
**Bank statement** a report of deposits, withdrawals, and bank balances sent to a depositor by a bank  
**Bill of exchange** see *Draft*  
**Bill of lading** a receipt signed by the authorized agent of a transportation company for merchandise received that also serves as a contract for the delivery of the merchandise  
**Blank endorsement** an endorsement consisting only of the endorser's signature  
**Board of directors** a group of persons elected by the stockholders to manage a corporation  
**Bond** a printed, long-term promise to pay a specified amount on a specific date and to pay interest at stated intervals  
**Bond issue** all the bonds representing the total amount of a loan  
**Bond sinking fund** an amount set aside to pay a bond issue when due  
**Book inventory** see *Perpetual inventory*  
**Book value** the difference between an asset's account balance and its related contra account balance  
**Book value of a plant asset** the original cost of a plant asset minus accumulated depreciation  
**Book value of accounts receivable** the difference between the balance of Accounts Receivable and its contra account, Allowance for Uncollectible Accounts  
**Book value per share** see *Equity per share*  
**Breakeven point** the amount of sales at which net sales is exactly the same as total costs  
**Budget** a written financial plan of a business for a specific period of time, expressed in dollars  
**Budget period** the length of time covered by a budget  
**Budgeted income statement** a statement that shows a company's projected sales, costs, expenses, and net income  
**Budgeting** planning the financial operations of a business

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## C

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**Capital** the account used to summarize the owner's equity in a business

**Capital stock** total shares of ownership in a corporation

**Cash basis of accounting** the accounting method that records revenues when they are received and expenses when they are paid

**Cash budget** a statement that shows for each month or quarter a projection of a company's beginning cash balance, cash receipts, cash payments, and ending cash balance

**Cash discount** a deduction from the invoice amount, allowed by a vendor to encourage early payment

**Cash flows** the cash receipts and cash payments of a company

**Cash over** a petty cash on hand amount that is more than a recorded amount

**Cash payments budget schedule** projected cash payments

**Cash payments journal** a special journal used to record only cash payment transactions

**Cash receipts budget schedule** projected cash receipts

**Cash receipts journal** a special journal used to record only cash receipt transactions

**Cash sale** a sale in which cash is received for the total amount of the sale at the time of the transaction

**Cash short** a petty cash on hand amount that is less than a recorded amount

**Certificate of deposit** a document issued by a bank as evidence of money invested with the bank

**Charge sale** see *Sale on account*

**Chart of accounts** a list of accounts used by a business

**Charter** the approved articles of incorporation

**Check** a business form ordering a bank to pay cash from a bank account

**Check register** a journal used in a voucher system to record cash payments

**Checking account** a bank account from which payments can be ordered by a depositor

**Closing entries** journal entries used to prepare temporary accounts for a new fiscal period

**Commercial invoice** a statement prepared by the seller of merchandise addressed to the buyer, showing a detailed listing and description of merchandise sold, including prices and terms

**Common stock** stock that does not give stockholders any special preferences

**Comparative income statement** an income statement containing sales, cost, and expense information for two or more years

**Component percentage** the percentage relationship between one financial statement item and the total that includes that item

**Consignee** the person or business who receives goods on consignment

**Consignment** goods that are given to a business to sell, but for which title to the goods remains with the vendor

**Consignor** the person or business who gives goods on consignment

**Contra account** an account that reduces a related account on a financial statement

**Contra balance** an account balance that is opposite the normal balance

**Contract of sale** a document that details all the terms agreed to by seller and buyer for a sales transaction

**Contribution margin** income determined by subtracting all variable costs from net sales

**Controlling account** an account in a general ledger that summarizes all accounts in a subsidiary ledger

**Corporation** an organization with the legal rights of a person and which may be owned by many persons

**Correcting entry** a journal entry made to correct an error in the ledger

**Cost accounting** the determination and control of costs of a business enterprise

**Cost ledger** a ledger containing all cost sheets for products in the process of being manufactured

**Cost of goods sold** see *Cost of merchandise sold*

**Cost of merchandise** the price a business pays for goods it purchases to sell

**Cost of merchandise sold** the total original price of all merchandise sold during a fiscal period

**Credit** an amount recorded on the right side of a T account

**Credit card sale** a sale in which a credit card is used for the total amount of the sale at the time of the transaction

**Credit memorandum** a form prepared by the vendor showing the amount deducted for returns and allowances

**Creditor** a person or organization to whom a liability is owed

**Current assets** cash and other assets expected to be exchanged for cash or consumed within a year

**Current liabilities** liabilities due within a short time, usually within a year

**Current ratio** a ratio that shows the numeric relationship of current assets to current liabilities

**Customer** a person or business to whom merchandise or services are sold

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## D

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**Date of a note** the day a note is signed

**Date of declaration** the date on which a board of directors votes to distribute a dividend

**Date of payment** the date on which dividends are actually to be paid to stockholders

**Debit** an amount recorded on the left side of a T account

**Debit card** a bank card that, when making purchases, automatically deducts the amount of the purchase from the checking account of the cardholder

**Debit memorandum** a form prepared by the customer showing the price deduction taken by the customer for returns and allowances

**Debt ratio** the ratio found by dividing total liabilities by total assets

**Declaring a dividend** action by a board of directors to distribute corporate earnings to stockholders

**Declining-balance method of depreciation** multiplying the book value by a constant depreciation rate at the end of each fiscal period

**Deferred revenue** see *Unearned revenue*

**Deficit** the amount by which allowances to partners exceed net income

**Departmental accounting system** an accounting system showing accounting information for two or more departments

**Departmental margin** the revenue earned by a department less its cost of merchandise sold and less its direct expenses

**Departmental margin statement** a statement that reports departmental margin for a specific department

**Departmental statement of gross profit** a statement prepared at the end of a fiscal period showing the gross profit for each department

**Depletion** the decrease in the value of a plant asset because of the removal of a natural resource

**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

**Direct expense** an operating expense identifiable with and chargeable to the operation of a specific department

**Direct labor** salaries of factory workers who make a product

**Direct materials** materials that are of significant value in the cost of and that become an identifiable part of a finished product

**Direct write-off method of recording losses from uncollectible accounts** recording uncollectible accounts expense only when an amount is actually known to be uncollectible

**Discount on capital stock** an amount less than par or stated value at which capital stock is sold

**Dishonored check** a check that a bank refuses to pay

**Dishonored note** a note that is not paid when due

**Distribution of net income statement** a partnership financial statement showing net income or loss distribution to partners

**Dividends** earnings distributed to stockholders

**Double-entry accounting** the recording of debit and credit parts of a transaction

**Doubtful accounts** see *Uncollectible accounts*

**Draft** a written, signed, and dated order from one party ordering another party, usually a bank, to pay money to a third party

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## E

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**Earnings per share** the amount of net income belonging to a single share of stock

**Electronic funds transfer** a computerized cash payments system that uses electronic impulses to transfer funds

**Employee benefits** payments to employees for non-working hours and to insurance and retirement programs

**Employee earnings record** a business form used to record details affecting payments made to an employee

**Encumbrance** a commitment to pay for goods or services that have been ordered but not yet provided

**Endorsement** a signature or stamp on the back of a check transferring ownership

**Endorsement in full** see *Special endorsement*

**Entry** information for each transaction recorded in a journal

**Equities** financial rights to the assets of a business

**Equity per share** the amount of total stockholders' equity belonging to a single share of stock

**Equity ratio** the ratio found by dividing stockholders' equity by total assets

**Estimated salvage value** the amount an owner expects to receive when a plant asset is removed from use

**Ethics** the principles of right and wrong that guide an individual in making decisions

**Exhibit** see *Supporting schedule*

**Expenditures** cash disbursements and liabilities incurred for the cost of goods delivered or services rendered

**Expense** a decrease in owner's equity resulting from the operation of a business

**Exports** goods or services shipped out of a seller's home country to a foreign country

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## F

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**Face amount** see *Principal of a note*

**Factory overhead** all expenses other than direct materials and direct labor that apply to the making of products

**Federal unemployment tax** a federal tax used for state and federal administrative expenses of the unemployment program

**Fifo** see *First-in, first-out inventory costing method*

**File maintenance** the procedure for arranging accounts in a general ledger, assigning account numbers, and keeping records current

**Financial accounting** the recording of a business's financial activities and the periodic preparation of financial reports

**Financing activities** cash receipts and payments involving debt or equity transactions

**Finished goods** manufactured products that are fully completed

**Finished goods ledger** a ledger containing records of all finished goods on hand

**First-in, first-out inventory costing method** using the price of merchandise purchased first to calculate the cost of merchandise sold first

**Fiscal period** the length of time for which a business summarizes and reports financial information

**Fixed assets** see *Plant assets*

**Fixed costs** total costs that remain constant regardless of change in business activity

**Fund** a governmental accounting entity with a set of accounts in which assets always equal liabilities plus equities

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## G

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**Gain on plant assets** revenue that results when a plant asset is sold for more than book value

**General amount column** a journal amount column that is not headed with an account title

**General fixed assets** governmental properties that benefit future periods

**General journal** a journal with two amount columns in which all kinds of entries can be recorded

**General ledger** a ledger that contains all accounts needed to prepare financial statements

**Goodwill** the value of a business in excess of the total investment of owners

**Gross earnings** see *Total earnings*

**Gross pay** see *Total earnings*

**Gross profit method of estimating inventory** estimating inventory by using the previous year's percentage of gross profit on operations

**Gross profit on sales** the revenue remaining after cost of merchandise sold has been deducted

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## H

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**Horizontal analysis** see *Trend analysis*

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## I

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**Imports** goods or services bought from a foreign country and brought into a buyer's home country

**Income statement** a financial statement showing the revenue and expenses for a fiscal period

**Indirect expense** an operating expense chargeable to overall business operations and not identifiable with a specific department

**Indirect labor** salaries paid to factory workers who are not actually making products

**Indirect materials** materials used in the completion of a product that are of insignificant value to justify accounting for separately

**Intangible assets** assets of a non-physical nature that have value for a business

**Interest** an amount paid for the use of money for a period of time

**Interest expense** the interest accrued on money borrowed

**Interest income** the interest earned on money loaned

**Interest rate of a note** the percentage of the principal that is paid for use of the money

**Interim departmental statement of gross profit** a statement showing gross profit for each department for a portion of a fiscal period

**Internal auditor** see *Auditor*

**Inventory** the amount of goods on hand

**Inventory record** a form used during a periodic inventory to record information about each item of merchandise on hand

**Investing activities** cash receipts and cash payments involving the sale or purchase of assets used to earn revenue over a period of time

**Invoice** a form describing the goods or services sold, the quantity, and the price

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## J

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**Journal** a form for recording transactions in chronological order

**Journalizing** recording transactions in a journal

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## L

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**Last-in, first-out inventory costing method** using the price of merchandise purchased last to calculate the cost of merchandise sold first

**Ledger** a group of accounts

**Letter of credit** a letter issued by a bank guaranteeing that a named individual or business will be paid a specified amount, provided stated conditions are met

**Liability** an amount owed by a business

**Lifo** see *Last-in, first-out inventory costing method*

**Liquidation of a partnership** the process of paying a partnership's liabilities and distributing remaining assets to the partners

**List price** a business's printed or catalog price

**Long-term assets** see *Plant assets*

**Long-term liabilities** liabilities owed for more than a year

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**Loss on plant assets** the loss that results when a plant asset is sold for less than book value  
**Lower of cost or market inventory costing method** using the lower of cost or market price to calculate the cost of ending merchandise inventory

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## M

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**MACRS** see *Modified Accelerated Cost Recovery System*

**Maker of a note** the person or business who signs a note and thus promises to make payment

**Management advisory services** management advice provided to an organization by a private accountant

**Managerial accounting** the analysis, measurement, and interpretation of financial accounting information

**Marginal income** see *Contribution margin*

**Market value** the price at which a share of stock may be sold on the stock market

**Markup** the amount added to the cost of merchandise to establish the selling price

**Materials ledger** a ledger containing all records of materials

**Maturity date of a note** the date a note is due

**Maturity value** the amount that is due on the maturity date of a note

**Medicare tax** a federal tax paid for hospital insurance

**Memorandum** a form on which a brief message is written describing a transaction

**Merchandise** goods that a merchandising business purchases to sell

**Merchandise inventory** the amount of goods on hand for sale to customers

**Merchandise inventory turnover ratio** the number of times the average amount of merchandise inventory is sold during a specific period of time

**Merchandising business** a business that purchases and sells goods

**Modified Accelerated Cost Recovery System** a depreciation method required by the Internal Revenue Service to be used for income tax calculation purposes for most plant assets placed in service after 1986

**Mutual agency** the right of all partners to contract for a partnership

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## N

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**Net income** the difference between total revenue and total expenses when total revenue is greater

**Net loss** the difference between total revenue and total expenses when total expenses is greater

**Net pay** the total earnings paid to an employee after payroll taxes and other deductions

**Net purchases** total purchases less purchases discount and purchases returns and allowances

**Net sales** total sales less sales discount and sales returns and allowances

**No-par-value stock** a share of stock that has no authorized value printed on the stock certificate

**Nominal accounts** see *Temporary accounts*

**Nonprofit organization** see *Not-for-profit organization*

**Normal balance** the side of the account that is increased

**Not-for-profit organization** an organization providing goods or services with neither a conscious motive nor expectation of earning a profit

**Note** see *Notes payable*

**Notes payable** promissory notes signed by a business and given to a creditor

**Notes receivable** promissory notes that a business accepts from customers

**Number of a note** the number assigned to identify a specific note

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## O

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**Opening an account** writing an account title and number on the heading of an account

**Operating activities** the cash receipts and payments necessary to operate a business on a day-to-day basis

**Operating budget** a plan of current expenditures and the proposed means of financing those expenditures

**Organization costs** fees and other expenses of organizing a corporation

**Other revenue and expenses budget schedule** budgeted revenue and expenses from activities other than normal operations

**Overapplied overhead** the amount by which applied factory overhead is more than actual factory overhead

**Overhead** see *Factory overhead*

**Owner's equity** the amount remaining after the value of all liabilities is subtracted from the value of all assets

**Owners' equity statement** a financial statement that summarizes the changes in owners' equity during a fiscal period

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## P

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**Par value** a value assigned to a share of stock and printed on the stock certificate

**Par-value stock** a share of stock that has an authorized value printed on the stock certificate

**Partner** each member of a partnership

**Partnership** a business in which two or more persons combine their assets and skills

**Partnership agreement** a written agreement setting forth the conditions under which a partnership is to operate

**Pay period** the period covered by a salary payment

**Payee of a note** the person or business to whom the amount of a note is payable

**Payroll** the total amount earned by all employees for a pay period

**Payroll register** a business form used to record payroll information

**Payroll taxes** taxes based on the payroll of a business

**Performance report** a report showing a comparison of projected and actual amounts for a specific period of time

**Periodic inventory** a merchandise inventory determined by counting, weighing, or measuring items of merchandise on hand

**Permanent accounts** accounts used to accumulate information from one fiscal period to the next

**Perpetual inventory** a merchandise inventory determined by keeping a continuous record of increases, decreases, and balance on hand

**Personal financial planning** assisting individuals in managing their personal investments

**Personal property** all property not classified as real property

**Petty cash** an amount of cash kept on hand and used for making small payments

**Petty cash slip** a form showing proof of a petty cash payment

**Physical inventory** see *Periodic inventory*

**Plant asset record** an accounting form on which a business records information about each plant asset

**Plant assets** assets that will be used for a number of years in the operation of a business

**Post-closing trial balance** a trial balance prepared after the closing entries are posted

**Postdated check** a check with a future date on it

**Posting** transferring information from a journal entry to a ledger account

**Preferred stock** stock that gives stockholders preference in earnings and other rights

**Prepaid expenses** expenses paid in one fiscal period but not reported as expenses until a later fiscal period

**Price-earnings ratio** the relationship between the market value per share and earnings per share of a stock

**Principal of a note** the original amount of a note; sometimes referred to as *face amount of a note*

**Production-unit method of depreciation** calculating estimated annual depreciation expense based on the amount of production expected from a plant asset

**Promissory note** a written and signed promise to pay a sum of money at a specified time

**Proprietorship** a business owned by one person

**Proving cash** determining that the amount of cash agrees with the accounting records

**Purchase invoice** an invoice used as a source document for recording a purchase on account transaction

**Purchase order** a completed form authorizing a seller to deliver goods with payment to be made later

**Purchases allowance** credit allowed for part of the purchase price of merchandise that is not returned, resulting in a decrease in the customer's accounts payable

**Purchases budget schedule** a statement prepared to show the projected amount of purchases that will be required during a budget period

**Purchases discount** a cash discount on purchases taken by a customer

**Purchases journal** a special journal used to record only purchases of merchandise on account

**Purchases return** credit allowed for the purchase price of returned merchandise, resulting in a decrease in the customer's accounts payable

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## Q

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**Quick assets** those current assets that are cash or that can be quickly turned into cash

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## R

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**Rate earned on average stockholders' equity** the relationship between net income and average stockholders' equity

**Rate earned on average total assets** the relationship between net income and average total assets

**Rate earned on net sales** the rate found by dividing net income after federal income tax by net sales

**Ratio** a comparison between two numbers showing how many times one number exceeds the other

**Real accounts** see *Permanent accounts*

**Real estate** see *Real property*

**Real property** land and anything attached to the land

**Realization** cash received from the sale of assets during liquidation of a partnership

**Receipt** a business form giving written acknowledgement for cash received

**Residual value** see *Estimated salvage value*

**Responsibility accounting** assigning control of business revenues, costs, and expenses as a responsibility of a specific manager

**Responsibility statements** financial statements reporting revenue, costs, and direct expenses under a specific department's control

**Restrictive endorsement** an endorsement restricting further transfer of a check's ownership

**Retail merchandising business** a merchandising business that sells to those who use or consume the goods

**Retail method of estimating inventory** estimating inventory by using a percentage based on both cost and retail prices

**Retained earnings** an amount earned by a corporation and not yet distributed to stockholders

**Retiring a bond issue** paying the amounts owed to bondholders for a bond issue

**Revenue** an increase in owner's equity resulting from the operation of a business

**Reversing entry** an entry made at the beginning of one fiscal period to reverse an adjusting entry made in the previous fiscal period

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## S

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**Salary** the money paid for employee services

**Sale on account** a sale for which cash will be received at a later date

**Sales allowance** credit allowed a customer for part of the sales price of merchandise that is not returned, resulting in a decrease in the vendor's accounts receivable

**Sales budget schedule** a statement that shows the projected net sales for a budget period

**Sales discount** a cash discount on sales

**Sales invoice** an invoice used as a source document for recording a sale on account

**Sales journal** a special journal used to record only sales of merchandise on account

**Sales mix** relative distribution of sales among various products

**Sales return** credit allowed a customer for the sales price of returned merchandise, resulting in a decrease in the vendor's accounts receivable

**Sales slip** see *Sales invoice*

**Sales tax** a tax on a sale of merchandise or services

**Salvage value** see *Estimated salvage value*

**Schedule of accounts payable** a listing of vendor accounts, account balances, and total amount due all vendors

**Schedule of accounts receivable** a listing of customer accounts, account balances, and total amount due from all customers

**Scrap value** see *Estimated salvage value*

**Selling expenses budget schedule** a statement prepared to show projected expenditures related directly to the selling operations

**Serial bonds** portions of a bond issue that mature on different dates

**Service business** a business that performs an activity for a fee

**Share of stock** each unit of ownership in a corporation

**Sight draft** a draft payable on sight when the holder presents it for payment

**Social security tax** a federal tax paid for old-age, survivors, and disability insurance

**Sole proprietorship** see *Proprietorship*

**Source document** a business paper from which information is obtained for a journal entry

**Special amount column** a journal amount column headed with an account title

**Special endorsement** an endorsement indicating a new owner of a check

**Special journal** a journal used to record only one kind of transaction

**State unemployment tax** a state tax used to pay benefits to unemployed workers

**Stated-value stock** no-par-value stock that is assigned a value by a corporation

**Statement of cash flows** a statement that summarizes cash receipts and cash payments resulting from business activities during a fiscal period

**Statement of cost of goods manufactured** a statement showing details about the cost of finished goods

**Statement of stockholders' equity** a financial statement that shows changes in a corporation's ownership for a fiscal period

**Stock certificate** written evidence of the number of shares each stockholder owns in a corporation

**Stock ledger** a file of stock records for all merchandise on hand

**Stock record** a form used to show the kind of merchandise, quantity received, quantity sold, and balance on hand

**Stockholder** an owner of one or more shares of a corporation

**Stockholders' equity** value of the owners' equity in a corporation

**Straight-line method of depreciation** charging an equal amount of depreciation expense for a plant asset in each year of useful life

**Subscribing for capital stock** entering into an agreement with a corporation to buy capital stock and pay at a later date

**Subsidiary ledger** a ledger that is summarized in a single general ledger account

**Sum-of-the-years-digits method of depreciation** using fractions based on years of a plant asset's useful life

**Supplementary report** see *Supporting schedule*

**Supporting schedule** a report prepared to give details about an item on a principal financial statement

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## T

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**T account** an accounting device used to analyze transactions

**Taking an inventory** see *Periodic inventory*

**Tax accounting** the preparation of tax returns as well as tax planning

**Tax base** the maximum amount of earnings on which a tax is calculated

**Tax levy** authorized action taken by a governmental organization to collect taxes by legal authority

**Temporary accounts** accounts used to accumulate information until it is transferred to the owner's capital account

**Term bonds** bonds that all mature on the same date

**Terms of sale** an agreement between a buyer and a seller about payment for merchandise

**Time draft** a draft that is payable at a fixed or determinable future time after it is accepted

**Time of a note** the days, months, or years from the date of signing until a note is to be paid

**Total costs** all costs for a specific period of time

**Total earnings** the total pay due for a pay period before deductions

**Trade acceptance** a form signed by a buyer at the time of a sale of merchandise in which the buyer promises to pay the seller a specified sum of money, usually at a stated time in the future

**Trade discount** a reduction in the list price granted to customers

**Transaction** a business activity that changes assets, liabilities, or owner's equity

**Treasury stock** a corporation's own stock that has been issued and reacquired

**Trend analysis** a comparison of the relationship between one item on a financial statement and the same item on a previous fiscal period's financial statement

**Trial balance** a proof of the equality of debits and credits in a general ledger

**Trustee** a person or institution, usually a bank, who is given legal authorization to administer property for the benefit of property owners

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## U

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**Uncollectible accounts** accounts receivable that cannot be collected

**Underapplied overhead** the amount by which applied factory overhead is less than actual factory overhead

**Unearned revenue** revenue received in one fiscal period but not earned until the next fiscal period

**Unit cost** an amount spent for one of a specific product or service

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## V

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**Variable costs** total costs that change in direct proportion to a change in the number of units

**Vendor** a business from which merchandise is purchased or supplies or other assets are bought

**Vertical analysis** see *Component percentage*

**Voucher** a business form used to show an authorized person's approval for a cash payment

**Voucher check** a check with space for writing details about a cash payment

**Voucher jacket** see *Voucher*

**Voucher register** a journal used to record vouchers

**Voucher system** a set of procedures for controlling cash payments by preparing and approving vouchers before payments are made

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## W

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**Weighted-average inventory costing method** using the average cost of beginning inventory plus merchandise purchased during a fiscal period to calculate the cost of merchandise sold

**Wholesale merchandising business** a business that buys and resells merchandise to retail merchandising businesses

**Withdrawals** assets taken out of a business for the owner's personal use

**Withholding allowance** a deduction from total earnings for each person legally supported by a taxpayer, including the employee

**Work in process** products that are being manufactured but are not yet complete

**Work sheet** a columnar accounting form used to summarize the general ledger information needed to prepare financial statements

**Working capital** the amount of total current assets less total current liabilities

**Writing off an account** canceling the balance of a customer account because the customer does not pay