

## ACCOUNTING II TERMINOLOGY

| <b>Standard</b> | <b>Objective</b> | <b>Term</b>                                            | <b>Definition</b>                                                                                                                                                          |
|-----------------|------------------|--------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1               | 1                | Accounting                                             | Planning, recording, analyzing, and interpreting financial information                                                                                                     |
| 1               | 1                | Accounting System                                      | A planned process for providing financial information that will be useful to management                                                                                    |
| 1               | 2                | G.A.A.P.<br>(Generally Accepted Accounting Principles) | The standards and rules to follow while recording and reporting financial activities                                                                                       |
| 1               | 5                | Business Ethics                                        | The use of ethics in making business decisions—ethics: The principles of right and wrong that guide an individual in making decisions                                      |
| 1               | 6                | Corporation                                            | An organization with the legal rights of a person and which may be owned by many persons                                                                                   |
| 1               | 7                | Merchandising Business                                 | A business that purchases and sells goods                                                                                                                                  |
| 1               | 7                | Manufacturing Business                                 | A business that produces and sells goods                                                                                                                                   |
| 2               | 1                | Payroll                                                | The total amount earned by all employees for a pay period                                                                                                                  |
| 2               | 1                | Pay Period                                             | The period covered by a salary payment                                                                                                                                     |
| 2               | 1a               | Salary                                                 | The money paid for employee services                                                                                                                                       |
| 2               | 1a               | Piece Rate                                             | A pay rate when employees are paid on the number of 'units' they produce                                                                                                   |
| 2               | 1a               | Hourly Rate                                            | The amount paid to an employee for each hour of services                                                                                                                   |
| 2               | 1a               | Commission                                             | A form of payment when employee is paid a percentage of sales.                                                                                                             |
| 2               | 1a               | Gross Pay (Total Earnings)                             | The total pay due for a pay period before deductions                                                                                                                       |
| 2               | 1b               | Payroll Deductions                                     | The amount withheld from employee earnings to pay for taxes and other withholdings                                                                                         |
| 2               | 1b               | Federal Income Tax                                     | A tax levied on the income of individuals and/or corporations                                                                                                              |
| 2               | 1b               | Social Security Tax                                    | A federal tax paid for old-age, survivors, and disability insurance                                                                                                        |
| 2               | 1b               | Medicare Tax                                           | A federal tax paid for hospital insurance                                                                                                                                  |
| 2               | 1b               | State Income Tax                                       | A state tax levied on the income of individuals                                                                                                                            |
| 2               |                  | Net Pay                                                | The total earnings paid to an employee after payroll taxes and other deductions                                                                                            |
| 2               | 1c               | Employer's Payroll Taxes                               | Taxes based on the payroll of a business. Employers must pay four taxes on employee earnings—social security, medicare, federal unemployment, and state unemployment taxes |
| 2               | 1c               | Federal Unemployment Tax                               | A federal tax used for state and federal administrative expenses of the unemployment program                                                                               |

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| 2 | 1c    | State Unemployment Tax         | A state tax used to pay benefits to unemployed workers                                                                   |
| 2 | 1d    | Payroll Register               | A business form used to record payroll information                                                                       |
| 2 | 1d    | Employee earnings Record       | A business form used to record details affecting payments made to an employee                                            |
| 3 | 1     | Business Transactions          | An activity that causes the assets, liabilities or equity of a business to change                                        |
| 3 | 1a    | Source Documents               | A business paper from which information is obtained for a journal entry                                                  |
| 3 | 1a    | Purchase Invoice               | An invoice used as a source document for recording a purchase on account                                                 |
| 3 | 1a    | Sales Invoice                  | An invoice used as a source document for recording a sale on account                                                     |
| 3 | 1a    | Check                          | A business form ordering a bank to pay cash from a bank account                                                          |
| 3 | 1     | Memorandum                     | A form on which a brief message is written describing a transaction                                                      |
| 3 | 1a    | Debit Memo.                    | A form prepared by the customer showing the price deduction taken by the customer for returns and allowances             |
| 3 | 1a    | Credit Memo.                   | A form prepared by the vendor showing the amount deducted for returns and allowances                                     |
| 3 | 1a    | Receipt                        | A business form giving written acknowledgement for cash received                                                         |
| 3 | 1a    | Register/Terminal Summary Tape | A source document for daily sales                                                                                        |
| 3 | 2/3   | Journalize                     | Record transactions in a journal                                                                                         |
| 3 | 2/3   | Post                           | Transfer information from a journal to a ledger account                                                                  |
| 3 | 2a    | Merchandise                    | Goods that a merchandising business purchases to sell                                                                    |
| 3 | 2a    | Purchase on Account            | A transaction in which the merchandise purchased is to be paid for later                                                 |
| 3 | 2c    | Purchase Return                | Credit allowed for the purchase price of returned merchandise, resulting in a decrease in the customer's account payable |
| 3 | 2d    | Purchase Discount              | A cash discount on purchases taken by a customer                                                                         |
| 3 | 2d    | Trade Discount                 | A reduction in the list price granted to customers                                                                       |
| 3 | 2d    | Vendor                         | A business from which merchandise is purchased or supplies or other assets are bought                                    |
| 3 | 2f/3f | Subsidiary Ledger              | A ledger that is summarized in a single general ledger account                                                           |
| 3 | 2f    | Schedule of Accounts Payable   | A listing of vendor accounts, account balances, and total amount due all vendors                                         |
| 3 | 3a    | Cash Sale                      | A sale in which cash is received for the total amount of the sale at the time of the transaction                         |
| 3 | 3a    | Sales Tax                      | A tax on a sale of merchandise                                                                                           |
| 3 | 3a    | Sale on Account                | A sale for which cash will be received at a later date                                                                   |
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| 3 | 3c | Sales Return                                               | Credit allowed a customer for the sales price of returned merchandise, resulting in a decrease in the vendor's accounts receivable     |
| 3 | 3d | Sales Discount                                             | A cash discount on sales                                                                                                               |
| 3 | 3d | Customer                                                   | A person or business to whom merchandise or services are sold.                                                                         |
| 3 | 3f | Schedule of Accounts Receivable                            | A listing of customer accounts, account balances, and total amounts due from all customers                                             |
| 4 | 1  | Uncollectible Accounts/<br>Bad Debts/<br>Doubtful Accounts | Accounts receivable that cannot be collected                                                                                           |
| 4 | 1b | Direct Writing off of an Account                           | Canceling the balance of a customer account because the customer does not pay                                                          |
| 4 | 1b | Allowance method for recording uncollectible accounts      | Crediting the estimated value of uncollectible accounts to a contra account                                                            |
| 4 | 1b | Contra Account                                             | An account that reduces a related account on a financial statement                                                                     |
| 5 | 1  | 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 |
|   |    | Plant Asset                                                | Assets that will be used for a number of years in the operation of a business                                                          |
| 5 | 1b | Straight-line method of depreciation                       | Charging an equal amount of depreciation expense for a plant asset in each year of useful life                                         |
| 5 | 1e | Book Value of Plant Asset                                  | The original cost of a plant asset minus accumulated depreciation                                                                      |
| 6 | 1a | Trial Balance                                              | A proof of the equality of debits and credits in a general ledger                                                                      |
| 6 | 1b | Adjusting Entries                                          | Journal entries recorded to update general ledger accounts at the end of a fiscal period                                               |
| 6 | 1c | Adjusted Trial Balance                                     | A proof of the equality of debits and credits in a general ledger after the adjusting entries                                          |
| 6 | 2  | Income Statement                                           | A financial statement showing the revenue and expenses for a fiscal period                                                             |
| 6 | 2a | Net Sales                                                  | Total sales less sales discount and sales returns and allowances                                                                       |
| 6 | 2a | Merchandise Inventory                                      | The amount of goods on hand for sale to customers                                                                                      |
| 6 | 2a | Cost of Goods/<br>Merchandise Sold                         | The price a business pays for goods it purchases to sell                                                                               |
| 6 | 2a | Gross Profit on Sales                                      | The revenue remaining after cost of merchandise sold has been deducted                                                                 |
| 6 | 2a | Total Expenses                                             | The sum of all expenses                                                                                                                |
| 6 | 2a | Net Income                                                 | The difference between total revenue and total expenses when total revenue is greater                                                  |
| 6 | 2a | Net Loss                                                   | The difference between total revenue and total expenses when total expenses are greater                                                |

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| 6 | 2b | Statement of Stockholders' Equity                   | A financial statement that shows changes in a corporation's ownership for a fiscal period                                                 |
| 6 | 2b | Stockholder                                         | An owner of one or more shares of a corporation                                                                                           |
| 6 | 2b | Retained Earnings                                   | An amount earned by a corporation and not yet distributed to stockholders                                                                 |
| 6 | 2b | Dividends                                           | Earnings distributed to stockholders                                                                                                      |
| 6 | 2b | Share of Stock                                      | Each unit of ownership in a corporation                                                                                                   |
| 6 | 2b | Capital Stock                                       | Total shares of ownership in a corporation                                                                                                |
| 6 | 2b | Par Value                                           | A value assigned to a share of stock and printed on the stock certificate                                                                 |
| 6 | 2d | Balance Sheet                                       | A financial statement that reports assets, liabilities, and owner's equity on a specific date                                             |
| 6 | 2e | Ratio                                               | A comparison between two items of financial information                                                                                   |
| 7 | 1  | Closing Entries                                     | Journal Entries used to prepare temporary accounts for a new fiscal period                                                                |
| 7 | 1  | Temporary Accounts                                  | Accounts used to accumulate information until it is transferred to the owner's capital account                                            |
| 7 | 1  | Income Summary                                      | A temporary account used to summarize the closing entries for revenue and expenses                                                        |
| 7 | 2  | Post-Closing Trial Balance                          | A trial balance prepared after the closing entries are posted                                                                             |
| 8 | 1  | FIFO Inventory Costing Method (First In, First Out) | Using the price of merchandise purchased first to calculate the cost of merchandise sold first                                            |
| 8 | 1  | LIFO Inventory Costing Method (Last In, First Out)  | Using the price of merchandise purchased last to calculate the cost of merchandise sold first.                                            |
| 8 | 1  | Weighted Average Method for Ending Inventory        | Using the average cost of beginning inventory plus merchandise purchased during a fiscal period to calculate the cost of merchandise sold |