ACCOUNTING DICTIONARY

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Account</td>
<td>a record summarizing all the information pertaining to a single item in the accounting equation</td>
</tr>
<tr>
<td>Account balance</td>
<td>the amount in an account</td>
</tr>
<tr>
<td>Account number</td>
<td>the number assigned to an account</td>
</tr>
<tr>
<td>Account title</td>
<td>the name given to an account</td>
</tr>
<tr>
<td>Accounting</td>
<td>planning, recording, analyzing, and interpreting financial information</td>
</tr>
<tr>
<td>Accounting cycle</td>
<td>the series of accounting activities included in recording financial information for a fiscal period</td>
</tr>
<tr>
<td>Accounting equation</td>
<td>an equation showing the relationship among assets, liabilities, and owner’s equity</td>
</tr>
<tr>
<td>Accounting period</td>
<td>see Fiscal period</td>
</tr>
<tr>
<td>Accounting records</td>
<td>organized summaries of a business’s financial activities</td>
</tr>
<tr>
<td>Accounting system</td>
<td>a planned process for providing financial information that will be useful to management</td>
</tr>
<tr>
<td>Accounts expenses</td>
<td>expenses incurred in one fiscal period but not paid until a later fiscal period</td>
</tr>
<tr>
<td>Accounts payable ledger</td>
<td>a subsidiary ledger containing only accounts for vendors from whom items are purchased or bought on account</td>
</tr>
<tr>
<td>Accounts receivable ledger</td>
<td>a subsidiary ledger containing only accounts for charge customers</td>
</tr>
<tr>
<td>Accounts receivable turnover ratio</td>
<td>the number of times the average amount of accounts receivable is collected during a specified period</td>
</tr>
<tr>
<td>Accrual basis of accounting</td>
<td>the accounting method that records revenues when they are earned and expenses when they are incurred</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>expenses incurred in one fiscal period but not paid until a later fiscal period</td>
</tr>
<tr>
<td>Accrued interest expense</td>
<td>interest incurred but not yet paid</td>
</tr>
<tr>
<td>Accrued interest income</td>
<td>interest earned but not yet received</td>
</tr>
<tr>
<td>Accrued revenue</td>
<td>revenue earned in one fiscal period but not received until a later fiscal period</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>the total amount of depreciation expense that has been recorded since the purchase of a plant asset</td>
</tr>
<tr>
<td>Acid-test ratio</td>
<td>a ratio that shows the numeric relationship of quick assets to current liabilities</td>
</tr>
<tr>
<td>Adjusting entries</td>
<td>journal entries recorded to update general ledger accounts at the end of a fiscal period</td>
</tr>
<tr>
<td>Adjustments</td>
<td>changes recorded on a work sheet to update general ledger accounts at the end of a fiscal period</td>
</tr>
<tr>
<td>Administrative expenses budget schedule</td>
<td>a statement that shows the projected expenses for all operating expenses not directly related to selling operations</td>
</tr>
<tr>
<td>Aging accounts receivable</td>
<td>analyzing accounts receivable according to when they are due</td>
</tr>
<tr>
<td>Allowance method of recording losses from uncollectible accounts</td>
<td>crediting the estimated value of uncollectible accounts to a contra account</td>
</tr>
<tr>
<td>Amortization</td>
<td>recognizing a portion of an expense in each of several years</td>
</tr>
</tbody>
</table>
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

B
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
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

D  
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

E
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

F

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

G

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
H
Horizontal analysis  see Trend analysis

I
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

J
Journal  a form for recording transactions in chronological order
Journalizing  recording transactions in a journal

L
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
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

M
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

N
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

O
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

P
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

Q

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

R

**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

S
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

T
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**  
**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**  
**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**  
**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