

CENTURY 21 ACCOUNTING, 9e
General Journal
Key Terms and Definitions

Chapter 1 Starting A Proprietorship: Changes that Affect the Accounting Equation

account: a record summarizing all the information pertaining to a single item in the accounting equation

account balance: the amount in an account

account title: the name given to an account

accounting: planning, recording, analyzing, and interpreting financial information

accounting equation: an equation showing the relationship among assets, liabilities, and owner's equity

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

asset: anything of value that is owned

business ethics: the use of ethics in making business decisions

equities: financial rights to the assets of a business

capital: the account used to summarize the owner's equity in a business

ethics: the principles of right and wrong that guide an individual in making decisions

expense: a decrease in owner's equity resulting from the operation of a business

financial statements: financial reports that summarize the financial condition and operations of a business

liability: an amount owed by a business

owner's equity: the amount remaining after the value of all liabilities is subtracted from the value of all assets

proprietorship: a business owned by one person

revenue: an increase in owner's equity resulting from the operation of a business

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

service business: a business that performs an activity for a fee

transaction: a business activity that changes assets, liabilities, or owner's equity

withdrawals: assets taken out of a business for the owner's personal use

Chapter 2 Analyzing Transactions into Debit and Credit Parts

chart of accounts: a list of accounts used by a business

credit: an amount recorded on the right side of a T account

debit: an amount recorded on the left side of a T account

normal balance: the side of the account that is increased

T account: an accounting device used to analyze transactions

Chapter 3 Recording Transactions in a General Journal

check: a business form ordering a bank to pay cash from a bank account

double-entry accounting: the recording of debit and credit parts of a transaction

entry: information for each transaction recorded in a journal

general journal: a journal with two columns in which all kinds of entries can be recorded

invoice: a form describing the goods or services sold, the quantity, and the price

journal: a form for recording transactions in chronological order

journalizing: recording transactions in a journal

memorandum: a form on which a brief message is written describing a transaction

receipt: a business form giving written acknowledgement for cash received

sales invoice: an invoice used as a source document for recording a sale on account

source document: a business paper from which information is obtained for a journal entry

Chapter 4 Posting from a General Journal to a General Ledger

account number: the number assigned to an account

correcting entry: an additional journal entry, used to correct an incorrect journal entry

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

general ledger: a ledger that contains all accounts needed to prepare financial statements

ledger: a group of accounts

opening an account: writing an account title and number on the heading of an account

posting: transferring information from a journal entry to a ledger account

proving cash: determining that the amount of cash agrees with the balance of the cash account in the accounting records

Chapter 5 Cash Control Systems

bank statement: a report of deposits, withdrawals, and bank balances sent to a depositor by a bank

blank endorsement: an endorsement consisting only of the endorser's signature

checking account: a bank account from which payments can be ordered by a depositor

code of conduct: a statement that guides the ethical behavior of a company and its employees

debit card: a bank card that automatically deducts the amount of a purchase from the checking account of the cardholder

dishonored check: a check that a bank refuses to pay

electronic funds transfer: a computerized cash payments system that transfers funds without the use of checks, currency, or other paper documents

endorsement: a signature or stamp on the back of a check transferring ownership

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

postdated check: a check with a future date on it

restrictive endorsement: an endorsement restricting further transfer of a check's ownership

special endorsement: an endorsement indicating a new owner of a check

Chapter 6 Work Sheet for a Service Business

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

balance sheet: a financial statement that reports assets, liabilities, and owner's equity on a specific date

fiscal period: the length of time for which a business summarizes and reports financial information

income statement: a financial statement showing the revenue and expenses for a fiscal period

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 are greater

trial balance: a proof of the equality of debits and credits in a general ledger

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

Chapter 7 Financial Statements for a Proprietorship

component percentage: the percentage relationship between one financial statement item and the total that includes that item

stakeholders: any persons or groups who will be affected by an action

Chapter 8 Recording Adjusting and Closing Entries for a Service Business

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

adjusting entries: journal entries recorded to update general ledger accounts at the end of a fiscal period

closing entries: journal entries used to prepare temporary accounts for a new fiscal period

permanent accounts: accounts used to accumulate information from one fiscal period to the next

post-closing trial balance: a trial balance prepared after the closing entries are posted

temporary accounts: accounts used to accumulate information until it is transferred to the owner's capital account

Chapter 9 Journalizing Purchases and Cash Payments

capital stock: total shares of ownership in a corporation

cash discount: a deduction that a vendor allows on the invoice amount to encourage prompt payment

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

cash payments journal: a special journal used to record only cash payment transactions

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

contra account: an account that reduces a related account on a financial statement

corporation: an organization with the legal rights of a person and which many persons may own

cost of merchandise: the price a business pays for goods it purchases to sell

debit memorandum: a form prepared by the customer showing the price deduction taken by the customer for returns and allowances

general amount column: a journal amount column that is not headed with an account title

list price: the retail price listed in a catalog or on an Internet site

markup: the amount added to the cost of merchandise to establish the selling price

merchandise: goods that a business purchases to sell

merchandising business: a business that purchases and sells goods

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

purchase on account: a transaction in which the merchandise purchased is to be paid for 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 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

retail merchandising business: a merchandising business that sells to those who use or consume the goods

share of stock: each unit of ownership in a corporation

special amount column: a journal amount column headed with an account title

special journal: a journal used to record only one kind of transaction

stockholder: an owner of one or more shares of a corporation

terms of sale: an agreement between a buyer and a seller about payment for merchandise

trade discount: a reduction in the list price granted to customers

vendor: a business from which merchandise is purchased or supplies or other assets are bought

wholesale merchandising business: a business that buys and resells merchandise to retail merchandising businesses

Chapter 10 Journalizing Sales and Cash Receipts Using Special Journals

batch report: a report of credit card sales produced by a point-of-sale terminal

batching out: the process of preparing a batch report of credit card sales from a point-of-sale terminal

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

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

customer: a person or business to whom merchandise or services are sold

point-of-sale (POS) terminal: a computer used to collect, store, and report all the information of a sales transaction

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 discount: a cash discount on sales taken by a customer

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

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

sales tax: a tax on a sale of merchandise or services

terminal summary: the report that summarizes the cash and credit card sales of a point-of-sale terminal

Chapter 11 Posting To General and Subsidiary Ledgers

accounts payable ledger: a subsidiary ledger containing only accounts for vendors from whom merchandise or other items are purchased on account

accounts receivable ledger: a subsidiary ledger containing only accounts for charge customers

controlling account: an account in a general ledger that summarizes all accounts in a subsidiary ledger

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

subsidiary ledger: a ledger that is summarized in a single general ledger account

Chapter 12 Preparing Payroll Records

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

Medicare tax: a federal tax paid for hospital insurance

net pay: the total earnings paid to an employee after payroll taxes and other deductions

pay period: the period covered by a salary payment

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

salary: the money paid for employee services

social security tax: a federal tax paid for old-age, survivors, and disability insurance

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

total earnings: the total pay due for a pay period before deductions

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

Chapter 13 Payroll Accounting, Taxes, and Reports

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

lookback period: the 12-month period that ends on June 30th of the prior year

state unemployment tax: a state tax used to pay benefits to unemployed workers

Chapter 14 Distributing Dividends and Preparing a Work Sheet for a Merchandising Business

accumulated depreciation: the total amount of depreciation expense that has been recorded since the purchase of a plant asset

allowance method of recording losses from uncollectible accounts: crediting the estimated value of uncollectible accounts to a contra account

board of directors: a group of persons elected by the stockholders to manage a corporation

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

current assets: cash and other assets expected to be exchanged for cash or consumed within a year

declaring a dividend: action by a board of directors to distribute corporate earnings to stockholders

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

dividends: earnings distributed to stockholders

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

merchandise inventory: the amount of goods on hand for sale to customers

plant assets: assets that will be used for a number of years in the operation of a business

retained earnings: an amount earned by a corporation and not yet distributed to stockholders

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

uncollectible accounts: accounts receivable that cannot be collected

Chapter 15 Financial Statements for a Corporation

cost of merchandise sold: the original price of all merchandise sold during a fiscal period

current liabilities: liabilities due within a short time, usually within a year

earnings per share: the amount of net income after federal income tax belonging to a single share of stock

financial ratio: a comparison between two items of financial information

gross profit on sales: the revenue remaining after cost of merchandise sold has been deducted

long-term liabilities: liabilities owed for more than a year

net sales: total sales less sales discount and sales returns and allowances

par value: a value assigned to a share of stock and printed on the stock certificate

price-earnings ratio: the relationship between the market value per share and earnings per share of a stock

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

supporting schedule: a report prepared to give details about an item on a principal financial statement

Chapter 16 Recording Adjusting and Closing Entries for a Corporation
[none]

Chapter 17 Accounting for Uncollectible Accounts Receivable

writing off an account: canceling the balance of a customer account because the customer does not pay

Chapter 18 Accounting for Plant Assets and Depreciation

assessed value: the value of an asset determined by tax authorities for the purpose of calculating taxes

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

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

loss on plant assets: the loss that results when a plant asset is sold for less than book value

personal property: all property not classified as real property

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

real property: land and anything attached to the land

Chapter 19 Accounting for Inventory

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

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

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

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

periodic inventory: a merchandise inventory determined by counting, weighing, or measuring items of merchandise on hand

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

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

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

Chapter 20 Accounting for Notes and Interest

creditor: a person or organization to whom a liability is owed

current liabilities: liabilities due within a short time, usually within a year

date of a note: the day a note is signed

dishonored note: a note that is not paid when due

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

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

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

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

payee of a note: the person or business to whom the amount of a note is payable

principal of a note: the original amount of a note; sometimes referred to as face amount of a note

promissory note: a written and signed promise to pay a sum of money at a specified time

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

Chapter 21 Accounting for Accrued Revenue and Expenses

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

intellectual property: any product that is protected by patents, trademarks, and copyrights

reversing entry: an entry made at the beginning of one fiscal period to reverse an adjusting entry made in the previous fiscal period

Chapter 22 End-Of-Fiscal-Period Work for a Corporation

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

long-term liabilities: liabilities owed for more than a year

working capital: the amount of total current assets less total current liabilities

Chapter 23 Accounting for Partnerships

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

limited liability partnership (LLP): a partnership that combines the advantages of the partnership and the corporation, while avoiding their disadvantages

liquidation of a partnership: the process of paying a partnership's liabilities and distributing remaining assets to the partners

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

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

realization: cash received from the sale of assets during liquidation of a partnership

Chapter 24 Recording International and Internet Sales

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

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

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

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

exports: goods or services shipped out of a seller's home country to a foreign country

imports: goods or services bought from a foreign country and brought into a buyer's home country

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

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

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

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