

## Management – Chapter 6 Key Words

1. Account	13. Double-entry	24. Journal	36. Shareholders
2. Accounting	accounting	25. Ledger	37. Sole
3. Accounting entity	14. Estimation	26. Liability	Proprietorship
4. Accounting equation	15. Expenses	27. Matching	38. Stable dollar
5. Accrual	16. External users	28. Materiality	concept
6. Assets	17. Financial statements	29. Money measurement	39. Stockholders
7. Audit	18. Fiscal year	30. Owners' equity	40. Stockholders'
8. Conservatism	19. Full disclosure	31. Partnership	equity
9. Consistency	20. GAAP	32. Periodicity	41. Trial balance
10. Corporation	21. Going concern	33. Posting	
11. Credit	22. Historical cost	34. Relevance	
12. Debit	23. Internal users	35. Revenue	

- \_\_\_\_\_ Accounting info must make a difference in the specific decisions that are to be made from the info.
- \_\_\_\_\_ Accounting period that consists of 12 consecutive months. May follow the calendar year of the natural business year.
- \_\_\_\_\_ All info that may be relevant to decision makers be communicated to them through the financial statements.
- \_\_\_\_\_ An obligation or debt of an entity that is owed to other parties
- \_\_\_\_\_ Any business, individual or not-for-profit org whose financial affairs can be viewed as distinct from those of any other unit.
- \_\_\_\_\_ Assumes that a dollar today is worth the same amount as a dollar used to buy an asset in the past.
- \_\_\_\_\_ Books of original entry where transactions are recorded in chronological order.
- \_\_\_\_\_ Business owned by one individual
- \_\_\_\_\_ Business with two or more owners, operating as co-owners and sharing the profits and losses of the business in an agreed proportion.
- \_\_\_\_\_ Common unit of measure must be used for recording economic events.
- \_\_\_\_\_ Device used to collect and summarize info and is sometimes called a ledger account
- \_\_\_\_\_ Earnings resulting from the receipt of cash or other assets (or the reduction of liability) in exchange for goods sold by an entity or services performed by an entity.
- \_\_\_\_\_ Economic resources from which an owner can expect to receive benefits now or in the future.
- \_\_\_\_\_ Entry recorded on the left side of the T-account
- \_\_\_\_\_ Entry recorded on the right side of the T-account
- \_\_\_\_\_ Expense incurred in earning revenues should be matched with those revenues to determine net income. Expenses should be report in the same period as the revenues to which they correspond.
- \_\_\_\_\_ Life of an entity must be divided into time intervals for reporting purposes as decision makers need accounting info about the entity periodically to make decisions. Therefore, the accountant must make periodic reports about the economic affairs of the entity.
- \_\_\_\_\_ Listing of all the ledger account balances
- \_\_\_\_\_ Managers of a business represent one important group of users of accounting info
- \_\_\_\_\_ Once an accounting or reporting method is selected, it should be used from one period to another.
- \_\_\_\_\_ Owners of the corporation and those who own capital stock in the corporation.
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- \_\_\_\_\_ Process of recording, measuring, summarizing, analyzing and interpreting financial info and communicating this info to various users for decision-making purposes
- \_\_\_\_\_ Record of all the accounts maintained by an entity
- \_\_\_\_\_ Recording of an equal amount of debits and credits (dual concept) By recording data in this fashion, a periodic check of the equality of the total debit and credit balances in the accounts can be made and used to help discover errors made in recording transactions.

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\_\_\_\_\_ Refers to the relative importance of an item or event to the decisions that users will be making. If an item is very insignificant compared to others, it is not necessary to follow accounting theory precisely. The important consideration is whether knowledge of the item would influence the decisions of users.

\_\_\_\_\_ Representation of the following relationship: assets are equal to liabilities plus owners' equity

\_\_\_\_\_ Resources invested in the business by owners, a residual claim that legally the claims of creditors come first and that owners are entitled to whatever remains after creditors are paid.

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\_\_\_\_\_ Revenues should be reported when earned rather than when the cash is received and expenses should be reported when incurred rather than when paid

\_\_\_\_\_ Reviewing a company's financial statements to determine their conformity with generally accepted accounting principles

\_\_\_\_\_ Separate legal entity created by state or federal law and is a separate accounting entity that usually has the same legal rights and obligations as individuals. They issue shares of capital stock in exchange for money, assets or services.

\_\_\_\_\_ Set of rules that govern the format of the financial statements and the methods of recording the data summarized within them

\_\_\_\_\_ Since accountants divide the life of an entity into periodic time intervals, much of what is included in financial reports is an estimate, which results in many of the amounts included in the periodic financial reports being estimated.

\_\_\_\_\_ Standard, general purpose reports of a company and includes the balance sheet, the income statement, the statement of retained earnings and statement of cash flow.

\_\_\_\_\_ States that the accountant assumes that the entity is going to exist for an indefinite period of time.

\_\_\_\_\_ The costs of goods and services consumed by the entity as a result of earning revenue.

\_\_\_\_\_ The original purchase cost that should be used to value assets for financial statement purposes.

\_\_\_\_\_ Transfer of info from the journal to the ledger

\_\_\_\_\_ Users of accounting data that are outside to the company's management.

\_\_\_\_\_ When doubt exists about the valuation of an asset or the recording of an accounting transaction, the accounting method that is the least likely to overstate income and financial position should be chosen.