

*In The Name Of Allah*

# Accounting Dictionary

*By: Firouz Kordi*

<i>Term</i>	<i>Definition</i>
<i>ABC/activity based costing</i>	<i>Alternative costing method for strategic management; divides production into activities, defines costs for activities, and allocates costs to objects based on activity consumption</i>
<i>absorption costing</i>	<i>Also known as full costing -- a costing method where inventory absorbs direct costs and variable and fixed factory overhead</i>
<i>accelerated depreciation methods</i>	<i>Several alternative depreciation approaches that result in relatively more depreciation in early years of use, and smaller amounts during later years</i>
<i>account</i>	<i>A record that is kept for each asset, liability, equity, revenue, expense, and dividend component of an entity</i>
<i>accounting</i>	<i>A set of concepts and techniques that are used to measure and report financial information about an economic unit.</i>
<i>accounting changes</i>	<i>Changes from one acceptable method of accounting to another acceptable method; like straight-line depreciation to a declining balance approach</i>
<i>accounting cycle</i>	<i>The procedures needed to process transactions through an accounting system; including journalization, posting, adjusting, and preparing financial statements</i>
<i>accounting equation</i>	<i>A financial relationship at the heart of the accounting model: Assets = Liabilities + Owners' Equity</i>
<i>Accounting Principles Board</i>	<i>The private sector group charged with developing accounting standards from 1959 to 1973; primary authoritative pronouncements were known as</i>

*"opinions"*

*accounting rate of return*

*A project evaluation tool that focuses on accounting income rather than cash flows; average annual increase in income by the amount of initial investment.*

*accounts payable*

*Amounts due to suppliers relating to the purchase of goods and services on credit*

*accounts receivable*

*Amounts due from customers from credits sales of products or services; "trade receivables"*

*accrual*

*Expenses and revenues that gradually accumulate throughout an accounting period*

*accrual basis*

*The accounting process whereby revenues are measured and recorded as earned, while expenses are recorded as incurred*

*accrued expenses*

*Unpaid expenses that have already been incurred*

*accrued revenues*

*Revenues that have been earned and recorded, but are not as yet collected*

*achievable standards*

*A standard that takes into account normal spoilage and inefficiency; intended to allow workers to reach the established benchmarks*

*activity*

*An event that gives rise to the consumption of resources*

*activity cost pool*

*The costs assigned to a particular activity*

*activity driver*

*Event that causes consumption of an activity*

<i>activity-based costing</i>	<i>(ABC) A costing system for situations where overhead is high and/or a variety of products are produced; costs are traced to activities and then activities are allocated to production</i>
<i>adjusted trial balance</i>	<i>A trial balance prepared after adjusting entries have been prepared and posted to the ledger</i>
<i>adjusting process</i>	<i>To analyze account balances and update them at the end of an accounting period to reflect the correct measure of revenues and expenses</i>
<i>aging of accounts receivable</i>	<i>Analysis used to estimate the uncollectible accounts; involves stratification of receivables based upon age</i>
<i>AICPA</i>	<i>American Institute of CPAs; an organization whose members are CPAs interested in advancing the accounting profession</i>
<i>all inclusive approach</i>	<i>A concept of income by which virtually all nonequity-based transactions and events are captured and reported in the income statement; the preferred approach for income theory</i>
<i>allowance method for uncollectibles</i>	<i>A method that estimates uncollectibles as a portion of total receivables and establishes an offsetting contra allowance account</i>
<i>amortization</i>	<i>The process used to allocate the cost of an intangible asset to the accounting periods benefited</i>
<i>amortized cost method</i>	<i>The approach mandated for held-to-maturity securities; investments are reported at their cost with any premium or discount amortized over the life of the investment</i>

<i>annuities</i>	<i>Streams of level (i.e., the same amount each period) payments occurring on regular intervals</i>
<i>annuity</i>	<i>Level streams of payments; with each payment being the same, and occurring at a regular interval</i>
<i>annuity due</i>	<i>Also known as an annuity in advance; involves a level stream of payments, with the payments being made at the beginning of each time period</i>
<i>assets</i>	<i>The economic resources owned by an entity; entailing probable future benefits to the entity</i>
<i>auditing</i>	<i>The examination of transactions and systems that underlie an organization's financial statements with the goal or reporting thereon</i>
<i>available for sale securities</i>	<i>Investments that are neither "held-to-maturity" or "trading;" a default category that is accounted for at fair value with changes in value recognized in other comprehensive income</i>
<b>B2B</b>	<i>(Business to Business) A system that enables data interchange between companies; sometimes sufficiently robust to permit automatic inventory replenishment, etc.</i>
<i>balance sheet</i>	<i>A financial statement that presents a firm's assets, liabilities, and owners' equity at a particular point in time</i>
<i>balanced scorecard</i>	<i>A set of performance measures that are congruent with assessing improvement in financial, customer, and business process outcomes</i>
<i>bank reconciliation</i>	<i>A control procedure to establish and verify the correct cash balance via identification of errors, irregularities, and adjustments</i>

*bank statement*

*The document received from a bank which summarizes deposits and other credits, and checks and other debits to a bank account*

*basic EPS*

*The simplest earnings per share number; earnings available to common shares divided by weighted average shares, without factoring in potential dilution*

*batch-level activity*

*Activities that relate to each batch of production; independent of the number of units within that batch*

*betterment*

*Expenditures that improve or increase the service potential of an asset even beyond its original new condition; such costs may be capitalized by increasing the asset's cost*

*bonds payable*

*An obligation divided into transferable units requiring the issuer to make periodic interest payments and an eventual repayment of the face amount*

*book value*

*Cost minus accumulated depreciation; the net amount at which an asset is reported on the balance sheet*

*book value per share*

*Common stockholders' equity divided by common shares outstanding, to indicate stockholders' equity per share*

*boot*

*Term used to describe additional monetary consideration that may accompany an exchange transaction*

*bottom-up participative budget*

*An budget approach driven by the direct participation of lower-level employees*

*break-even point*

*The level of activity where revenues equal total expenses, producing a zero net income; also the point where the contribution margin is said to cover fixed costs*

<i>budget</i>	<i>A planning tool that outlines the financial plans for an organization; there are various types of budgets -- operating, capital, and financial</i>
<i>budget committee</i>	<i>A group of senior managers from each business unit charged with leading the budget preparation and review process</i>
<i>budget slack</i>	<i>The influence of behavior to "pad" a budget via misstating expected revenues and/or expenses; to create more favorable budget vs. actual performance appraisals</i>
<i>business component</i>	<i>Part of a business with clearly distinguishable operations; a business segment, unit, subsidiary, or group of assets</i>
<i>callable bond</i>	<i>A bond that provides the issuer an option to reacquire the bonds before scheduled maturity at a preset price</i>
<i>callable preferred</i>	<i>Preferred stock that can be repurchased by issuer for a preset price</i>
<i>capacity utilization</i>	<i>The degree to which an organization's output capabilities are being deployed or utilized</i>
<i>capital expenditure decision</i>	<i>Also known as capital budgeting; planning and decision making related to longer term projects and expenditures</i>
<i>capital expenditures</i>	<i>Ordinary and necessary costs incurred to place an item of property, plant, or equipment in its condition for intended use; such amounts are included in the asset account</i>
<i>capital lease</i>	<i>A lease that effectively transfers the risks and rewards of ownership to the lessee</i>
<i>capital stock</i>	<i>A non-specific reference to the ownership interests of shareholders in a corporation</i>

<i>cash</i>	<i>Items acceptable to a bank for deposit and free from restrictions to satisfying current debts; includes coins, currency, bank deposits, etc.</i>
<i>cash basis</i>	<i>An accounting approach where revenue is recorded when cash is received (no matter when "earned"), and expenses are recognized when paid (no matter when "incurred")</i>
<i>cash budget</i>	<i>A major component of a cash planning system that depicts cash inflows and outflows for a stated period of time</i>
<i>cash budget</i>	<i>An essential budget component detailing planned cash receipts, disbursements, and financing actions</i>
<i>cash discount</i>	<i>A reduction in invoice price offered to customers to encourage prompt payment of invoices</i>
<i>cash equivalents</i>	<i>Short-term interest-earning financial instruments that are deemed to be highly secure and will convert back into cash within 90 days</i>
<i>centralized decision making</i>	<i>A business style where top leaders make and direct most important decisions</i>
<i>certified public accountant (CPA)</i>	<i>An individual who is licensed by a state to practice public accounting</i>
<i>CFM</i>	<i>Certified Financial Manager; a professional designation of competency in the field of financial management that is issued by the Institute of Management Accountants</i>
<i>change in accounting estimate</i>	<i>A revision of assumptions used in a related accounting calculation (e.g., change in estimated useful life of an asset); handled prospectively by revising current and future periods</i>



<i>chart of accounts</i>	<i>A listing of the accounts of an entity, along with any identification coding</i>
<i>closing process</i>	<i>The process by which temporary accounts are "zeroed" out and the effects transferred to retained earnings</i>
<i>CMA</i>	<i>Certified Management Accountant; a professional designation of competency in the field of management accounting that is issued by the Institute of Management Accountants</i>
<i>commercial substance</i>	<i>The quality of an exchange transaction such that it changes the future cash flow potential of the entity</i>
<i>commitments</i>	<i>Promises to engage in some future action; not necessarily creating a recordable accounting liability but potentially necessitating enhanced disclosure</i>
<i>committed fixed cost</i>	<i>Costs that arise from an organization's commitment to engage in operations; unavoidable elements like depreciation, rent, insurance, property taxes</i>
<i>common fixed costs</i>	<i>Fixed costs that are incurred to support more than one business unit</i>
<i>common stock</i>	<i>The residual equity interest in a corporation; last in liquidation but usually receiving the full benefits of any corporate growth</i>
<i>comparability</i>	<i>A quality of accounting such that different companies may use different accounting methods, but there is still sufficient basis for valid comparison</i>
<i>compensated absences</i>	<i>Term to describe paid time off; vacations, sick leave, etc.</i>
<i>compensating balance</i>	<i>An amount that must be left on deposit and cannot be withdrawn</i>

<i>complex capital structure</i>	<i>companies with options, warrants, or convertible bonds and stocks that may result in the issuance of additional shares</i>
<i>compound interest</i>	<i>Interest calculations that provide for periodic inclusion of accumulated interest into the base on which interest is calculated; "interest on the interest"</i>
<i>comprehensive income</i>	<i>Net income plus items of other comprehensive income (e.g., market value adjustments of available for sale securities)</i>
<i>conservatism</i>	<i>A general principle of accounting measurement; when in doubt understate assets and income and overstate liabilities</i>
<i>consignment</i>	<i>To place inventory in the custody of another party without requiring them to purchase it, as a sales agent</i>
<i>consistency</i>	<i>A quality of accounting holding that deviations in measured outcomes from period to period should be the result of deviations in underlying performance (not accounting quirks)</i>
<i>consolidation</i>	<i>To prepare financial reports for a parent and subsidiary company as a single economic unit</i>
<i>contingent liabilities</i>	<i>Events that may or may not give rise to an actual liability because the outcome is uncertain; examples include lawsuits, environmental damage issues, and so forth</i>
<i>continuous budget</i>	<i>A budget that is constantly updated; as one month/quarter is completed another is added to the set the projections</i>
<i>contra asset</i>	<i>An account that is subtracted from a related account -- contra accounts have opposite debit/credit rules</i>

*contribution income statement*

*An internal report that identifies each segment's controllable elements; the contribution margin, controllable fixed costs, uncontrollable fixed costs, and segment margin*

*contribution margin*

*Revenues minus all variable expenses, whether related to production or selling and administration (do not to be confuse with gross profit)*

*control account*

*The total of all subcomponent account records for an account; e.g., the sum of all individual accounts receivable*

*controller*

*The primary person responsible for the cost and managerial accounting functions*

*conversion cost*

*Cost components need to change raw materials to finished goods, specifically direct labor and manufacturing overhead*

*convertible bond*

*A bond that may be converted by the holder into stock of the issuing company*

*convertible preferred*

*Preferred stock that can be exchanged for common stock at some preagreed ratio*

*corporation*

*A form of business organization where ownership is represented by divisible units called shares of stock*

*cost accounting*

*The process by which an organization's cost is collected, assigned, and interpreted*

*cost center*

*An area of responsibility under the control of a manager who is responsible for costs incurred within the unit; the unit generally has little revenue function*

*cost driver*

*The factor that is viewed as causing costs to be incurred within an organization*

*cost flow assumption*

An assumption about how costs are assigned to inventory in the accounting records

*cost object*

The output for which costing information is to be determined under ABC; can be product or service related, or customer, market, etc.

*cost of goods manufactured*

The amount of cost attributable to goods reaching the end of production; beginning work in process (wip) + (direct materials, direct labor, manufacturing overhead) - ending wip

*cost of goods sold*

The total cost attributed to units of inventory actually sold during a period

*cost of production report*

A report used in a process costing environment to tabulate the costs incurred within a particular stage/department

*cost-volume-profit analysis*

(CVP) Analysis focusing on the interplay of pricing, volume, variable and fixed costs, and product mix

*coupon bond*

A bond that has detachable coupons that are exchanged for interest payments; historically popular but falling into disuse

*credit*

The nature of an action to an account to indicate an increase (liabilities, equity, and revenue) or decrease (assets, expenses, and dividends); usually right-justified in an entry

*credit memorandum*

A seller-prepared document evidencing an approved return of merchandise for credit against an account

*cumulative preferred*

Preferred stock that is entitled to a periodic dividend, and those dividends must be paid (eventually) before any monies can be distributed to common stockholders

<i>current assets</i>	<i>Assets that will be converted into cash or consumed within one year or the operating cycle, whichever is longer</i>
<i>current liabilities</i>	<i>Obligations that will be liquidated within one year or the operating cycle, whichever is longer</i>
<i>current operating approach</i>	<i>A concept of income where income is limited to transactions related to central ongoing operations; not an acceptable approach for income theory</i>
<i>current ratio</i>	<i>A measure of liquidity, calculated by dividing current assets by current liabilities</i>
<i>customer-level activity</i>	<i>Activities that relate to each customer; independent of the volume of goods and services provided to the specific customer</i>
<i>dashboard</i>	<i>Customized business software that delivers key real time business data in an easily monitored layout</i>
<i>database</i>	<i>An information storehouse, usually electronic, that can be queried to extract data meeting certain parameters. Enables singular data entry and multiple data output.</i>
<i>debenture bond</i>	<i>A bond that lacks specific collateral; payment is only assured by the general faith and creditworthiness of the issuer</i>
<i>debit</i>	<i>The nature of an action to an account to indicate an increase (assets, expenses, and dividends) or decrease (liabilities, equity, and revenue); usually left-justified in an entry</i>
<i>debit memorandum</i>	<i>A purchaser-prepared document evidencing a return of merchandise to a seller</i>
<i>decentralized decision making</i>	<i>A business style where top leaders concentrates on strategy, and leaves day-to-day operation and decision-</i>

*making tasks to lower-level personnel*

***declining balance depreciation method***

*An accelerated depreciation method by which a constant rate (that is a multiple of the straight-line rate) is multiplied by each period's beginning (constantly declining) book value*

***defined benefit plan***

*A type of pension plan where the benefits are a function of years of service, pay, and age; the ultimate employer cost is not known in advance*

***defined contribution plan***

*A type of pension plan where the benefits are based on amounts in trust for the benefit of the employee; employer contributions are usually a fixed percentage of pay*

***depletion***

*The process used to allocate the cost of a natural resource asset to the accounting periods benefited*

***deposit in transit***

*Receipts entered on company records but not yet posted by the bank*

***depreciable base***

*Cost minus salvage value; the amount of cost that will be allocated to the service life*

***depreciation***

*The process used to allocate the cost of a long-lived property to the accounting periods benefited*

***derivatives***

*Investments accounted for a fair value that generally derive their value from some other item; examples include commodity futures, options, and so forth*

***diluted EPS***

*An earnings per share number; adjusted to reflect the potential effect of dilutive securities*

***dilutive securities***

*Options, warrants, convertible bonds, convertible stocks, and other items that have the potential to increase the*

*number of shares outstanding*

*direct approach*

*The preferred method for preparing the statement of cash flows; operating cash flows are presented according to their direct source (e.g., cash received from customers)*

*direct costs*

*A cost easily traced to a specific job; generally direct material and direct labor*

*direct labor*

*Gross wages paid to those who physically and directly work on the goods being produced*

*direct labor budget*

*A budget that details expected direct labor needs, along with the related costs of labor*

*direct labor efficiency variance*

*A variance comparing standard hours of direct labor to the actual hours worked; measured at the standard rate per hour  
[(standard hours - actual hours) X standard rate]*

*direct labor rate variance*

*A variance that reveals the difference between the standard rate and actual rate for the actual labor hours worked  
[(standard rate - actual rate) X actual hours]*

*direct material*

*The costs of all materials that are an integral part of a finished product and that have a physical presence that is readily traced to that finished product*

*direct material purchases budget*

*A budget that details expected direct material purchases, along with the related cash payments*

*direct method/allocating service cost*

*An allocation process whereby service department costs are assigned directly to productive departments (compare to step method)*

<i>direct write-off method</i>	<i>A simple, non-GAAP, method that expenses uncollectible accounts only as they are determined to be uncollectible and are written off</i>
<i>discontinued operations</i>	<i>The special income statement reporting of the impact of disposing or abandoning of a component of a business</i>
<i>discount on bonds</i>	<i>The difference between face value and issue price of a bond, where the issue price is less; causes the effective yield to be higher than that stated</i>
<i>discretionary fixed cost</i>	<i>Fixed cost resulting from yearly spending decisions; proper planning can result in avoidance of these costs as necessary (e.g., advertising and training)</i>
<i>dishonoring a note</i>	<i>To fail to pay a note at maturity</i>
<i>dividend payout ratio</i>	<i>Dividend per share divided by earnings per share</i>
<i>dividend rate</i>	<i>Dividend per share divided by stock price; also called dividend yield</i>
<i>dividends</i>	<i>Amounts paid from profits of a corporation to shareholders as a return on their investment in the stock of the entity</i>
<i>dividends in arrears</i>	<i>An omitted dividend on cumulative preferred stock that must eventually be paid before any monies can be distributed to common stockholders</i>
<i>double-declining balance depreciation</i>	<i>An accelerated depreciation method by which a constant rate (that is 200% of the straight-line rate) is multiplied by each period's beginning (constantly declining) book value</i>
<i>earnings</i>	<i>A concept that relates to income from continuing operations plus/minus discontinued operations and</i>



*extraordinary items*

*Earnings per share*

*EPS; generally understood as the amount of income for each share of stock, but is actually better refined as basic and diluted EPS (see those definitions)*

*EBIT*

*An analysts calculation to reflect "earnings before interest and taxes"*

*EBITDA*

*An analysts calculation to reflect "earnings before interest, taxes, depreciation, and amortization"*

*economies of scale*

*Efficiencies associated with increases in volume*

*effective-interest amortization*

*A theoretically preferable method for amortizing premiums and discounts on bonds; interest expense is a constant percentage of the bonds ever-changing carrying value*

*employee*

*A person who works for a specific business and whose activities are directed by that business*

*encumbrance*

*A budgetary restriction occurring in advance of a related expenditure*

*entity assumption*

*Accounting information should be presented for circumscribed distinct economic units*

*entity-sustaining activity*

*Activities that relate to an entity's ability to operate; independent of business volume*

*equity method*

*Method to account for stock investment when significant influence is present; changes in equity of the investee are recognized by the investor on a pro rata basis*

*equivalent units*

*A measure of physical units expressed in terms of finished units*

*ERP*

*(Enterprise Resource Package)  
Comprehensive database software that tracks an almost endless array of business and accounting data*

*exchange transaction*

*Trading one asset for another; to be booked at fair value if the transaction has commercial substance*

*ex-dividend*

*The event (date) when a transfer of stock ownership between shareholders will occur without the right for the purchaser to receive any previously declared dividends*

*expenses*

*The costs incurred in producing revenues*

*extraordinary item*

*The gain or loss resulting from a transaction or event that is both unusual in nature and infrequent in occurrence; reported below income from continuing operations*

*F.O.B. destination*

*Free on Board destination; meaning the transfer of ownership of inventory will occur when the goods reach their destination and the seller will incur the freight charges*

*F.O.B. shipping point*

*Free on Board shipping point; meaning the transfer of ownership of inventory will occur when the goods are shipped and the purchaser will incur the freight charges*

*factory overhead budget*

*A budget that details the anticipated factory overhead, including calculations related to the allocation of such amounts*

*fair value accounting*

*Sometimes called "mark-to-market;" to record an investment at its fair value and recognize changes in value as it occurs*

***FICA***

*Federal Insurance Contributions Act (also known as social security and Medicare); establishes a tax that employers must withhold and match for government-based retiree benefit*

***FIFO process costing***

*A process costing technique where the beginning inventory is presumed to be the first units completed in the subsequent period's processing*

***financial accounting***

*An area of accounting that deals with external reporting to parties outside the firm; usually based on standardized rules and procedures*

***Financial Accounting Standards Board***

*An organization charged with producing standards for financial reporting in the USA (FASB)*

***financial statements***

*Core financial reports that are prepared to represent the financial position and results of operations of a company*

***financing activities***

*A cash flow category; including receipts from stock issues, bonds, notes and loans, -- and payments for loan repayment, acquisitions of treasury stock, and dividend distributions*

***finished goods***

*Finished goods represent the cost of completed products awaiting sale to a customer*

***first-in, first-out***

*FIFO; An inventory cost flow assumption based on the notion that the earliest costs are to be assigned to units sold*

***fiscal year***

*A one-year accounting period that does not correspond to a calendar year*

***fixed cost***

*A total cost that is the same regardless of volume; total cost is constant and per unit cost decreases with volume increases*

*fixed overhead spending variance*

*A fixed overhead variance that compares actual fixed overhead to the budgeted fixed overhead*

*fixed overhead volume variance*

*A fixed overhead variance that compares the budgeted fixed overhead to the fixed overhead that is applied to production based on standard fixed overhead per unit of output*

*flexible budget*

*A budget that covers a range of potential outcomes by relating expense levels to the potential revenues*

*Form 1099*

*A form required to be issued to an independent contractor reporting amounts paid; to assist with tax compliance issues (this form used to report other payments like interest, etc.)*

*full disclosure principle*

*All relevant facts that would influence investors' and creditors' judgments about the company are disclosed in the financial statements or related notes*

*FUTA*

*Federal Unemployment Tax levied on employer to provide funds for unemployed workers; rate is dependent on existence of SUTA and employer history of layoffs, etc.*

*future value*

*The amount to which an interest-earning amount is expected to grow over a stipulated time period at a given interest rate*

*future value*

*Or "compound interest;" amount that a current payment (or stream of payments) will grow in time; includes interest on previous interest based on frequency of compounding*

*GAAP*

*Generally accepted accounting principles -- encompass the rules, practices, and procedures that define the proper execution of accounting*

<i>general ledger</i>	<i>A record of the accounts comprising financial statements, and their respective balances</i>
<i>going concern assumption</i>	<i>In the absence of evidence to the contrary, accountants assume that a business will continue to operate well into the future</i>
<i>goods available for sale</i>	<i>A calculated amount corresponding to the beginning inventory plus net purchases; represents the total pool of inventory available during a period from which sales can occur</i>
<i>goods in transit</i>	<i>Goods in the process of being transported to the buyer; ownership is based on freight terms</i>
<i>goodwill</i>	<i>The excess of the purchase price of an acquired company over the fair value of the identifiable net assets acquired</i>
<i>gross method</i>	<i>A method of recording purchases of inventory at invoice price</i>
<i>gross pay</i>	<i>Also known as gross earnings; this is the total amount earned by an employee before any deductions</i>
<i>gross profit</i>	<i>A calculated amount corresponding to net sales minus cost of goods sold</i>
<i>gross profit method</i>	<i>An technique that purports to estimate inventory and cost of goods sold by applying historic percentage relationships to observable sales information</i>
<i>held to maturity investments</i>	<i>Investments purchased with intent to hold to maturity; usually investment in debt; accounted for by amortized cost method</i>
<i>high-low method</i>	<i>A simple means for separating costs into fixed and variable components, based upon the difference between costs at the</i>

	<i>highest and lowest observed levels of activity</i>
<i>historical cost principle</i>	<i>The concept that many transactions and events are to be measured and reported at acquisition cost</i>
<i>IASB</i>	<i>International Accounting Standards Board; organization undertaking to develop cohesive accounting rules with global acceptance</i>
<i>ideal standards</i>	<i>A standard that could only be achieved under perfect operating conditions; such standards are rarely expected to be achieved</i>
<i>IMA</i>	<i>Institute of Management Accountants; a professional association for management accountants that sponsors the CMA and CFM designations</i>
<i>impairment</i>	<i>When the carrying amount of an asset is not recoverable from its future cash flow</i>
<i>income statement</i>	<i>A financial statement that summarizes the revenues, expenses, and results of operations for a specified period of time</i>
<i>income summary</i>	<i>A non-financial statement account used only to facilitate the closing process by summarizing and zeroing-out the revenue and expense accounts</i>
<i>income taxes</i>	<i>Taxes that are based on the amount income; for employees such amounts must be withheld by employers and remitted to the government</i>
<i>incremental budgeting</i>	<i>A budgeting approach where the prior year experience sets a base line for a new budget; changes are made based on new information but the base need not be rejustified in detail</i>

*independent contractor*

*One who performs a designated task or service for a company, and the company has the right to control or direct only the result of the work done*

*indirect approach*

*An alternative method for preparing the statement of cash flows; operating cash flows are presented as a reconciliation of income to cash from operating activities*

*indirect costs*

*A cost not easily traced to a specific job; generally categorized as factory or manufacturing overhead*

*initial public offering*

*The first time stock in a corporation is offered to the investing public; registration and other requirements must be met; proceeds may flow to the corporation or private shareholders*

*intangible asset*

*Lack physical existence, and include items like purchased patents and copyrights*

*intangible asset*

*Long-term asset that lacks physical existence; contract rights, copyrights, patents, trademarks, etc.*

*interest*

*The charge imposed on the borrower of funds for the use of money*

*internal auditor*

*A person within an organization who reviews and monitors the controls, procedures, and information of the organization*

*internal rate of return*

*Also known as time-adjusted rate of return or IRR; discount rate causing present value of cash inflows to equal present value of the cash outflows*

*intraproduct tax allocation*

*Separately reported item like discontinued operations, extraordinary items, etc., are to reported net of their specifically related tax effects*

<i>inventoriable cost</i>	<i>product costs that attach to inventory</i>
<i>inventory</i>	<i>Goods held for resale to others</i>
<i>investee</i>	<i>The company in which another has an investment</i>
<i>investing activities</i>	<i>A cash flow category; including receipts from disposal of investments and long-term assets -- and payments to acquire long-term assets and investments</i>
<i>investment center</i>	<i>A evaluative unit where managers are accountable for cost and profit outcomes, including consideration of the amount of capital that is deployed to achieve those outcomes</i>
<i>invoice price</i>	<i>List price less any trade discounts</i>
<i>issue price</i>	<i>The amount a company receives in exchange for the initial issue of debt or other financial instrument</i>
<i>job cost sheet</i>	<i>A document representing a compilation of cost data for a specific job</i>
<i>job costing method</i>	<i>A costing approach whereby actual labor and material is tracked for each job or product</i>
<i>journal</i>	<i>A chronological listing of the transactions and events of an organization, in debit/credit format</i>
<i>journalizing</i>	<i>The process of recording transactions and events into the journal</i>
<i>junk bond</i>	<i>A bond that is issued by a company of low credit worthiness, and entails substantial risk of nonpayment; generally offers a high interest rate to compensate for the high risk</i>



<i>just in time inventory</i>	<i>Raw materials are received from supplies just as they are needed in the production process</i>
<i>Kaizen</i>	<i>Japanese term used to describe a blitz like approach to study processes and install efficiency within an organization</i>
<i>Kanban</i>	<i>Japanese term which means some form of signal that a particular inventory is ready for replenishment</i>
<i>land improvements</i>	<i>Includes the cost of parking lots, sidewalks, landscaping, irrigation systems, and similar expenditures that are incurred to better land</i>
<i>last-in, first-out method</i>	<i>LIFO; An inventory cost flow assumption based on the notion that the most recent costs are to be assigned to units sold</i>
<i>lean manufacturing</i>	<i>Indicative of an environment where waste has been trimmed; entails a focus on standardization, speed, and quality, without compromising responsiveness to customer demand</i>
<i>lease/lessee and lessor</i>	<i>Periodic payment from the user (lessee) of an asset to an owner (lessor) of the asset</i>
<i>legal capital</i>	<i>Usually the par value of the stock of a corporation</i>
<i>liabilities</i>	<i>Amounts owed by an entity to others</i>
<i>liquidity</i>	<i>The ability of a firm to meet its near-term obligations as they come due</i>
<i>list price</i>	<i>An establish price determined by reference to a catalog or general price list; before any discounts</i>
<i>long-term investments</i>	<i>Investments made for long-term holding purposes; including land for speculation, securities of other companies, etc.</i>

<i>long-term liabilities</i>	<i>Any obligation that is not current, and include bank loans, mortgage notes, and the like</i>
<i>lower-of-cost-or-market</i>	<i>To report inventory at the lower of its cost or market value; market is generally defined as replacement cost</i>
<i>lump-sum purchase</i>	<i>A single price paid for a package of assets; the purchase price must be allocated to each of the components</i>
<i>M2M</i>	<i>(Machine to Machine) enables connected devices to communicate with each other</i>
<i>maker</i>	<i>The party creating the/a note and agreeing to make payment</i>
<i>management by exception</i>	<i>A management focus of attention on areas where corrective measures appear necessary</i>
<i>managerial accounting</i>	<i>An area of accounting concerned with reporting results to managers and others who are internal to an organization</i>
<i>manufacturing overhead</i>	<i>all costs of manufacturing other than direct materials and direct labor (also called factory overhead)</i>
<i>market-level activity</i>	<i>Activities that relate to the number of markets in which an entity operates; independent of the number of products, customers, etc.</i>
<i>master budget</i>	<i>Also known as the comprehensive budget; an integrated set of articulated budgets relating to numerous operational subcomponents (labor, material, overhead, SG&amp;A, etc.)</i>
<i>matching principle</i>	<i>To associate expenses with revenues, and record them in simultaneous accounting periods</i>
<i>materiality</i>	<i>A matter of accounting judgment; when amounts involved are slight, expediency may dictate waiving the technically</i>

*correct alternative in lieu of a simpler approach*

*materials price variance*

*A variance that reveals the difference between standard price for materials purchased and amounts actually paid for those materials [(standard price - actual price) X actual quantity].*

*materials quantity variance*

*A variance comparing standard quantity to actual quantity of materials; variation is measured at the standard price per unit [(standard quantity - actual quantity) X standard price]*

*materials requisition form*

*Form showing what material has been removed from the raw materials stock and put into production*

*maturity date*

*The date on which a note and related interest are due to be paid*

*maturity value*

*The amount due at maturity of a note; includes principal and interest*

*method of least squares*

*A complex means for separating costs into fixed and variable components, based upon minimizing the variances between all observations and the resulting assumed cost function*

*mixed costs*

*A cost that has both fixed and variable components*

*Modified Accelerated Cost Recovery*

*A "depreciation" approach common to the tax code; generally permits more rapid "recovery" of asset cost than GAAP approaches; MACRS - pronounced "makers"*

*modified cash basis*

*Like the cash basis, except that certain large expenditures for durable assets may be recorded as assets initially*

*moving-average method*

*Under the perpetual inventory system; to recompute running average cost with*

*each purchase transaction*

*multiple-step income statement*

*A complex income statement with sections that segregate cost of goods sold calculations and other components of income and expense; enables enhanced evaluations of data*

*natural business year*

*Applicable to certain businesses that have a seasonal business pattern, and an attempt is made to establish an accounting fiscal year to match*

*natural resources*

*Oil and gas reserves, mineral deposits, thermal energy sources, and standing timber are just a few examples of such assets that a firm may own*

*net income*

*The excess of revenues over expenses for a designated period of time*

*net income*

*Income from continuing operations plus/minus other special items like discontinued operations, etc., but before items of "other comprehensive income"*

*net loss*

*The excess of expenses over revenues for a designated period of time*

*net method*

*A method of recording purchases of inventory at invoice price less available cash discounts*

*net pay*

*Also known as net earnings; this is the gross pay less all applicable deductions ("take home pay")*

*net present value*

*Or NPV, a method of evaluating capital projects that uses a predetermined interest rate to determine the present value of an investment's cash net cash inflows and outflows*

*net realizable value*

*The amount of cash expected to be collected on outstanding accounts receivable; accounts receivable minus the*

	<i>allowance for uncollectibles</i>
<i>nominal accounts</i>	<i>Accounts that will be reset to a zero balance with each new accounting period; revenue, expense, and dividend accounts (also called "temporary" accounts)</i>
<i>nonredeemable bond</i>	<i>A bond that cannot be paid off before scheduled maturity</i>
<i>nonrefundable bond</i>	<i>A bond that cannot be paid off with the proceeds of a new debt issue</i>
<i>nontrade receivables</i>	<i>Amounts due from transactions and events not directly related to sales of products or services</i>
<i>notes payable</i>	<i>Formal short-term borrowings usually evidenced by a specific written promise to pay</i>
<i>notes receivable</i>	<i>A written promise from a client or customer to pay a definite amount of money on a specific future date</i>
<i>NSF check</i>	<i>Nonsufficient funds check; a customer check returned for lack of funds (a "hot check")</i>
<i>operating activities</i>	<i>A cash flow category; generally related to transactions that enter into the determination of income -- items that are not investing or financing</i>
<i>operating cycle</i>	<i>The period of time it takes to convert cash back into cash (i.e., purchase inventory, sell the inventory on account, and collect the receivable)</i>
<i>operating expenses</i>	<i>General expense category for selling and administrative costs</i>
<i>operating lease</i>	<i>A lease where the lessee makes periodic payments for periodic use of an asset, but does not assume the ultimate risks</i>

*and rewards of owning the asset*

*opportunity cost*

*The cost of a foregone alternative; may include lost revenue*

*ordinary annuity*

*Also known as an annuity in arrears; involves a level stream of payments, with the payments being made at the end of each time period*

*other assets*

*The category of a classified balance sheet for reporting assets that are not logically attached to one of the other specific sections*

*other comprehensive income*

*An account for changes in value of available for sale securities; not part of income from continuing operations and generally positioned as a special category within equity*

*outsourcing*

*Utilization of independent parties to manufacture products (sometimes known as make-or-buy) or manage data processing, tech support, payroll services, etc.*

*outstanding checks*

*Checks entered on company records but not yet cleared by the bank*

*overapplied overhead*

*Applied overhead exceeds the actual amount; usually viewed as a favorable outcome, because less has spent than anticipated for the level of achieved production*

*overhead application rate*

*A rate used to apply manufacturing overhead to output; estimated factory overhead for a period divided by the estimated application base*

*owner investments*

*Resources provided to an organization by a person in exchange for a position of ownership in the organization*

*owners' equity*

*The residual of assets minus liabilities, representing the collective interest or position of the entity's owners*

*paid-in capital in excess of par*

*The amount by which a stock's issue price exceeds its par value; also referred to as "additional paid-in capital"*

*par value on bonds*

*The face or contract amount of a bond; the amount to be repaid at maturity along with any interest*

*partnership*

*A non-corporation representing an association of two or more persons organized to carry out a business plan for a profit motive*

*payback*

*Easy method for evaluating capital projects; calculated by dividing the initial investment by the annual cash inflow*

*payee*

*The party to whom a note is made payable*

**PCAOB**

*Public Accounting Oversight Board -- a private-sector, non-profit corporation, charged with overseeing the auditors of public companies*

*pension plan*

*A general term to describe some form of arrangement for continuing payments to retirees*

*period cost*

*A cost not attributable to the acquisition or manufacture of inventory; expensed as incurred*

*periodic inventory system*

*An inventory system that utilizes a Purchases account and does not update inventory with each sale; inventory is updated by physical count at the end of accounting periods*

*periodicity assumption*

*An accounting assumption that purports to divide a continuous business process into measurement intervals, such as months, quarters, and years*

*perpetual inventory system*

A "real-time" inventory system that updates inventory records with each purchase and sale

*petty cash*

A fund established for making small payments that are impractical to pay by check; also known as imprest cash fund

*physical inventory*

The process of counting inventory actually on hand

*post-closing trial balance*

Reveals the balance of accounts after the closing process, and consists of balance sheet accounts only

*posting*

The process of transferring journal entry effects into the respective general ledger accounts

*preemptive right*

A right that may or may not be provided to shareholders enabling them with a first right of refusal to buy any additional shares offered by a corporation

*preferred stock*

A class of stock that generally benefits from a stipulated periodic dividend and priority in liquidation; but, usually lacking in upside participation in corporate growth

*premium on bonds*

The difference between face value and issue price of a bond, where the issue price is more; causes the effective yield to be lower than that stated

*prepaid expenses*

Goods or services purchased in advance of their consumption

*present value*

The calculated value today of an amount to be received in the future, based upon an assumed interest rate (the reciprocal of future value)

*present value*

Also known as discounting; determines the current worth of cash to be received in the future



*price earnings ratio*

*The per share market value of a stock divided by its earnings per share*

*prime cost*

*Product costs that are direct in nature; direct materials and direct labor*

*principal*

*The basic stated amount of a note on which interest is usually calculated; generally relating to the amount borrowed*

*principles-based*

*The idea that accounting standards should articulate broad-based principles rather than specific and detailed rules*

*prior period adjustment*

*To correct errors from prior years; prior financial statements are retroactively changed to make them correct*

*pro forma financial statements*

*"As if" budgeted financial statements*

*process costing*

*Process costing is a method to allocate the total costs of production to homogenous units produced via a continuous process that usually involves multiple steps or departments*

*process costing methods*

*A product costing method particularly well suited to situations where production occurs in a continuous process; costs are pooled and assigned to aggregate output*

*product cost*

*Costs that attach to a product; the summation of direct materials, direct labor, and factory overhead*

*production budget*

*A budget that details planned levels of production; takes into account sales and inventory build/decline*

*product-level activity*

*Activities that relate to the number of products produced; independent of the number or units produced*

<i>profit center</i>	<i>Business unit that has control over both costs and revenues and is therefore evaluated on the profit outcomes</i>
<i>proof of cash</i>	<i>A detailed bank reconciliation that verifies not only beginning and end balances, but also validates deposits and withdrawals during the month</i>
<i>property, plant, &amp; equipment</i>	<i>Assets with long lives that will be used in an entity's production processes; land, buildings, and equipment</i>
<i>prospectus</i>	<i>The documentation describing financial and business aspects of an initial public offering</i>
<i>public accounting</i>	<i>Accounting activities provided by a person to the general public, typically relating to audit, tax and similar services</i>
<i>purchases discounts</i>	<i>A cash discount available on purchases of merchandise on account; encourages prompt payment</i>
<i>quick ratio</i>	<i>An extreme measure of liquidity, calculated by dividing quick assets (cash, short-term investments, and accounts receivable) by current liabilities</i>
<i>raw materials</i>	<i>the components that will be used in manufacturing units that are not yet started -- also known as direct materials</i>
<i>real accounts</i>	<i>Asset, liability, and equity accounts; balances are carried forward from the end of one period into the beginning of the next period</i>
<i>registered bond</i>	<i>A bond for which ownership records are maintained, and interest is paid to the registered owner</i>
<i>relevance</i>	<i>A quality of accounting such that it is timely and bears on the decision-making process by possessing feedback and/or predictive value</i>

<i>relevant cost</i>	<i>Items where future costs and revenues are expected to differ for the alternative decisions under consideration</i>
<i>relevant range</i>	<i>The level of activity for which assumptions underlying CVP are expected to hold true</i>
<i>reliability</i>	<i>A quality of accounting information such that it is faithful in representation; free from bias, neutral, and verifiable</i>
<i>remeasurement</i>	<i>One of two approaches for converting the financial statements of a foreign affiliate to the reporting currency</i>
<i>replacement</i>	<i>A restoration of an asset, at least partially, to its original condition; such costs may be capitalized by reducing accumulated depreciation</i>
<i>residual income</i>	<i>An internal assessment technique that adjusts income for a presumed cost of capital (or other threshold rate of return); operating income - (operating assets X cost of capital)</i>
<i>residual value</i>	<i>Amount expected be realized at the end of an asset's service life; "salvage value"</i>
<i>resource</i>	<i>The elements consumed by activities and cost objects</i>
<i>resource driver</i>	<i>The concept that activities create the need for resources which will be consumed in the production process</i>
<i>responsibility center</i>	<i>The part of an organization under the control of a manager</i>
<i>restatement</i>	<i>The process of revising previously issued financial statements to reflect the correction of an error in those financial statements</i>

<i>retail inventory method</i>	<i>A inventory costing technique used by retailers that extrapolates inventory values by applying cost-to-retail percentages to known sales and purchase transactions</i>
<i>retained earnings</i>	<i>The excess of a corporation's income over its dividends</i>
<i>retrospective adjustment</i>	<i>The application of a different accounting principle to previously issued financial statements as though the newly adopted method had always been in use</i>
<i>return on assets ratio</i>	<i>A ratio comparing income (net income plus interest) to the average total assets</i>
<i>return on equity ratio</i>	<i>A ratio comparing income (net income minus preferred dividends) to the average total equity</i>
<i>return on investment</i>	<i>ROI: A model consisting of a margin component (Operating Income/Sales) and turnover component (Sales/Average Assets); reduces to Operating Income/Average Assets</i>
<i>revenue</i>	<i>Inflows and other benefits received in exchange for the providing of goods and services</i>
<i>revenue expenditure</i>	<i>Not a capital expenditure; to be expensed as incurred</i>
<i>revenue recognition</i>	<i>The point at which revenue is recognized in the accounting records; ordinarily the point of sale</i>
<i>reversing entry</i>	<i>Optional accounting procedure which may prove useful in simplifying record keeping; a journal entry to "undo" an adjusting entry</i>
<b>RFID</b>	<i>(radio frequency identification) Micro processes embedded in inventory that emit radio frequency signals that enable a computer to automatically track</i>

*inventory*

*rules-based*

*The idea that accounting standards must be very specific to provide adequate guidance and drive consistency in reporting*

*sales budget*

*A budget that details anticipated sales levels*

*sales discounts*

*A cash discount offered to customers to encourage prompt payment of invoices*

*Sarbanes-Oxley*

*"SOX" -- Legislation that imposes stringent controls over reporting and auditing; created the Public Accounting Oversight Board*

*scattergraph*

*A simplistic mapping of observed data points, where a line is "visually" drawn to represent the estimated cost function*

*scorecards (balanced)*

*A system for evaluating elements that are important to the organization and under the control of an employee holding that position*

*secured bond*

*A bond that provides specific assets as collateral to help assure the payment stream*

*Securities and Exchange Commission*

*"SEC" -- regulatory body with which public companies must file and report*

*segment*

*A business unit for which separate financial information is evaluated by an operating decision maker who allocates resources and judges performance of the unit*

*serial bond*

*A bond issue that has multiple repayment dates, rather than the entire issue maturing at one fixed maturity date*

<i>service life</i>	<i>The period of time that a depreciable asset will be in use by an entity; the time interval over which the asset will be depreciated</i>
<i>SFAC</i>	<i>Statements of Financial Accounting Concepts -- a series of conceptual documents to guide the FASB in establishing new rules</i>
<i>SFAS</i>	<i>Statements of Financial Accounting Standards -- primary authoritative pronouncements issued by the FASB</i>
<i>SG&amp;A</i>	<i>Selling, general, and administrative costs; the period costs of the business</i>
<i>SG&amp;A budget</i>	<i>A budget that details anticipated selling, general, and administrative costs</i>
<i>significant influence</i>	<i>The ability to sway management and decision making of another entity, but generally not enough to assert absolute control</i>
<i>simple interest</i>	<i>Interest calculations that do not provide for periodic inclusion of accumulated interest into the base on which interest is calculated</i>
<i>single-step income statement</i>	<i>A simple income statement with a section for all revenues and another for all expenses; there is no direct association between specific revenue and expense components</i>
<i>sinking fund bond</i>	<i>A bond issue that requires periodic setting aside of monies into a separate fund to provide for eventual repayment of the debt at maturity</i>
<i>Six Sigma</i>	<i>A trademarked quality management system developed by Motorola; driven by pursuit of statistical results that reflect near perfection in production and processing</i>

<i>sole proprietorship</i>	<i>A non-corporation business owned by a sole individual</i>
<i>source document</i>	<i>A document evidencing a transaction or event and potentially providing for the initiation of a journal entry</i>
<i>special order</i>	<i>A customer order that is outside of the normal pricing and terms</i>
<i>specific identification method</i>	<i>Inventory costing method where the actual cost of each unit of merchandise is tracked and used for accounting purposes</i>
<i>stable currency assumption</i>	<i>An accounting assumption that presumes the currency is not impacted over time by inflation</i>
<i>standard cost</i>	<i>A measure of what costs should be incurred to achieve the observed output</i>
<i>standards</i>	<i>Benchmarks against which actual productive activity is compared</i>
<i>statement of cash flows</i>	<i>A financial statement that summarizes the cash flows relating to operating, investing, financing, and noncash investing/financing activities of an entity</i>
<i>statement of retained earnings</i>	<i>A financial statement that discloses changes in retained earnings during a designated period of time; those changes usually attributable to income and dividends</i>
<i>statement of stockholders' equity</i>	<i>A financial statement that is often presented in lieu of a statement of retained earnings and other disclosures about equity accounts</i>
<i>static budget</i>	<i>A budget that does not anticipate alternative outcomes; estimated sales and expenses are fixed and establish the relevant benchmarks</i>

<i>step cost</i>	<i>A cost function that is fixed over a range, and then increases by a measured step to a new level at the next higher increment of activity</i>
<i>step method/allocating service cost</i>	<i>An allocation process whereby some service department costs may be assigned to other service departments as part of a sequential methodology</i>
<i>stock</i>	<i>Transferable units of ownership in a corporation</i>
<i>stock dividend</i>	<i>A noncash corporate activity to provide shareholders with additional shares in proportion to existing ownership; makes for more shares outstanding, but does not change total equity</i>
<i>stock split</i>	<i>A corporate action to increase the number of shares and reduce the par per share by a stipulated ratio (e.g., 2 for 1)</i>
<i>straight-line amortization</i>	<i>A method for amortizing premiums and discounts on bonds; the premium or discount is spread uniformly over the life of the bond as an adjustment of interest</i>
<i>straight-line depreciation</i>	<i>A simple depreciation method by which the depreciable base is spread uniformly over the service life</i>
<i>subsidiary account</i>	<i>A subcomponent account record providing individual balance details; e.g., the record for one customer out of a group of customers comprising all accounts receivable</i>
<i>sum-of-the-years'-digits method</i>	<i>Accelerated depreciation method where the depreciable base is spread over the asset life, with each year's portion being a unique but declining fraction tied to the overall asset life</i>
<i>sunk cost</i>	<i>Historical amount expended on a project or object; not relevant to current decisions or future actions</i>



<i>SUTA</i>	<i>State Unemployment Tax levied on employer to provide funds for unemployed workers; rate is adjusted for employer history of layoffs, etc.</i>
<i>T-account</i>	<i>An abstract representation of an account, with the left side of the "T" representing debits and the right side credits</i>
<i>target income</i>	<i>A level of income that is to be obtained; CVP projects activity levels necessary to achieve this benchmark</i>
<i>temporary accounts</i>	<i>Accounts that will be reset to a zero balance with each new accounting period; revenue, expense, and dividend accounts (also called "nominal" accounts)</i>
<i>theory of constraints</i>	<i>(TOC) Efficiency is improved by seeking out and eliminating constraints within the organization</i>
<i>time value of money</i>	<i>Conceptual notion holding that money to be received sooner is worth more than money to be received later</i>
<i>top-down mandated budget</i>	<i>A budget approach where upper level management establishes parameters under which the budget is to be prepared</i>
<i>total paid-in capital</i>	<i>The sum of legal capital plus paid-in capital in excess of par</i>
<i>total quality management</i>	<i>(TQM) A process for continuous improvement by focusing on customer service and systematic problem solving via teams made up of front-line employees</i>
<i>traceable fixed costs</i>	<i>Fixed costs that would not exist if the unit under evaluation ceased to exist</i>
<i>trade discount</i>	<i>A reduction from list price that is not entered in the accounting records; customarily offered in "setting" the</i>

	<i>invoice amount</i>
<i>trade receivables</i>	<i>Amounts due from customers from credits sales of products or services</i>
<i>trading securities</i>	<i>Investments acquired with the intent of generating profits by reselling the investment in the very near future; classified as current assets</i>
<i>transfer pricing</i>	<i>The system of setting prices at which goods are exchanged between affiliated units; usually involving cross-border transactions</i>
<i>translation</i>	<i>One of two approaches for converting the financial statements of a foreign affiliate to the reporting currency</i>
<i>treasury stock</i>	<i>Shares of a company's own stock that it has reacquired</i>
<i>trial balance</i>	<i>A listing of account balances from the ledger, used to test the equality of debits and credits</i>
<i>underapplied overhead</i>	<i>Applied overhead is less than the actual amount; usually viewed as a unfavorable outcome, because more has spent than anticipated for the level of achieved production</i>
<i>unearned revenue</i>	<i>Revenue that has been collected in advance of providing goods and services to "earn it;" reported as a liability until earned</i>
<i>unit-level activity</i>	<i>Activities that relate to the number of units of output; each additional unit of production requires another activity</i>
<i>units of output depreciation</i>	<i>A depreciation approach where the depreciable base is allocated to the expected total units of output; mileage, hours, etc.</i>

<i>variable cost</i>	<i>A per unit cost that is the same regardless of volume; total variable cost increases with volume increases</i>
<i>variable costing</i>	<i>A costing method where inventory absorbs direct costs and variable factory overhead; the income statement identifies the contribution margin</i>
<i>variable overhead efficiency variance</i>	<i>A variance that reflects the level of efficiency associated with the application of variable overhead to production</i>
<i>variable overhead spending variance</i>	<i>A variance that reflects the difference between actual variable overhead and standard variable overhead associated with the actual units of the application base</i>
<i>variances</i>	<i>Deviations from the norm that may provide warning signs of situations requiring corrective action by managers</i>
<i>W-2</i>	<i>An annual statement provided to employees stating the amount of earnings and withholdings; assists employee in preparing their own tax returns</i>
<i>W-4</i>	<i>A form filled out by an employee stating the amount of exemptions to which they are entitled for tax purposes; such exemptions bear on the amount of income tax withholdings</i>
<i>warranty liability</i>	<i>A liability that is recorded for the future costs of claims that are anticipated because of product warranty agreements</i>
<i>weighted-average inventory method</i>	<i>Under the periodic inventory system; inventory cost is based on the average cost of units purchased giving consideration to the quantities purchased at different prices</i>
<i>weighted-average process costing</i>	<i>A process costing technique where all units of production are assigned the same cost; determined by blending of</i>

*current period costs with beginning inventory cost*

*work in process*

*Goods that are in production but not yet complete; an accumulation of monies spent on direct material, direct labor, and applied manufacturing overhead*

*workers compensation insurance*

*Insurance paid by the employer to cover work related injuries sustained by employees*

*working capital*

*The difference between current assets and current liabilities*

*zero-based budgeting*

*A budget approach where each expenditure item must be justified for each new budget period*