Selected Accounting and QuickBooks Terms

The following is a selected list of accounting and QuickBooks-related terms.

Accounting: “The recording, classifying, summarizing, and interpreting in a significant manner and in terms of money, transactions, and events of a financial character” (U.S. Small Business Administration n.d.)

Accounts payable: “Trade accounts of businesses representing obligations to pay for goods and services received” (U.S. Small Business Administration n.d.)

Accounts receivable: “Trade accounts of businesses representing moneys due for goods sold or services rendered evidenced by notes, statements, invoices, or other written evidence of a present obligation” (U.S. Small Business Administration n.d.)

Accrual accounting. *See* **Accrual basis accounting**

Accrual basis accounting (also known as ***accrual accounting***)**:** “A system of accounting in which revenues are recorded when they are earned and outlays are recorded when goods are received or services are performed, even though the actual receipt of revenues and payment for goods or services may occur, in whole or in part, at a different time” (U.S. Congressional Budget Office n.d.) *See also* **Cash basis accounting**.

Accrue: “The process in which interest accumulates on a borrower's loan” (U.S. Dept. of Agriculture, et al. n.d.)

Asset: “The entire property of a person, association, corporation or estate applicable or subject to the payment of debts” (U.S. Dept. of Agriculture, et al. n.d.)

Balance sheet: (1) “A report of the status of a firm's assets, liabilities and owner's equity at a given time” (U.S. Small Business Administration n.d.) **(2)** A report that summarizes the financial position of a business. A balance sheet shows the value of your company's assets, liabilities, and equity as of a particular day. It is called a balance sheet because the value of the assets is always exactly equal to the combined value of the liabilities and equity (Intuit QuickBooks Support, “Balance Sheet”).

Book value: “The value of an item or property at a specific time after deducting depreciation from original cost” (U.S. Dept. of Agriculture, et al. n.d.)

Capital: “Assets less liabilities, representing the ownership interest in a business; a stock of accumulated goods, especially at a specified time and in contrast to income received during a specified time period; accumulated goods devoted to the production of goods; (4) accumulated possessions calculated to bring income” (U.S. Small Business Administration n.d.)

Cash accounting. *See* **Cash basis accounting**

Cash basis accounting (also known as **Cash accounting**)**:** “A system of accounting in which revenues are recorded when they are actually received and outlays are recorded when payment is made” (U.S. Congressional Budget Office n.d.) *See also* **Accrual basis accounting**.

Cash discount: “An incentive offered by the seller to encourage the buyer to pay within a stipulated time. For example, if the terms are 2/10/N 30, the buyer may deduct 2 percent from the amount of the invoice (if paid within 10 days); otherwise, the full amount is due in 30 days" (U.S. Small Business Administration n.d.)

Cash flow: "The movement of money into and out of your business" (U.S. Dept. of Agriculture, et al. n.d.)

Cash flow statement: "An accounting presentation showing how much of the cash generated by the business remains after both expenses (including interest) and principal repayment on financing are paid. A projected cash flow statement indicates whether the business will have cash to pay its expenses, loans, and make a profit. Cash flows can be calculated for any given period of time, normally done on a monthly basis. Also, one of the Five "Cs" evaluated in determining a loan applicant's credit-worthiness" (U.S. Dept. of Agriculture, et al. n.d.)

Charge-off: "An accounting transaction removing an uncollectible balance from the active receivable accounts" (U.S. Small Business Administration n.d.)

Chart of Accounts: "A complete list of a company's accounts and their balances." The Chart of Accounts is used "to track how much money your company has, how much money it owes, how much money is coming in, and how much is going out" (Intuit QuickBooks Support, "Chart of Accounts").

Classes: Categorization of a business's transactions in order to "track trends and assess performance across" its component parts (Nelson 2010, 65).

COGS. *See* **Cost of Goods Sold**

Coinage: "Currency and coins" (Nelson 2010, 121).

Compensation: "All of the income due to an employee for his or her work during a given period. In addition to wages, salaries, bonuses, and stock options, compensation includes fringe benefits and the employer's share of payroll taxes for social insurance programs, such as Social Security" (BEA cited in U.S. Congressional Budget Office n.d.)

Cost of Goods Sold (COGS): Account that tracks an "item's cost when" it is sold (Nelson 2010, 41).

Costs: "Money obligated for goods and services received during a given period of time, regardless of when ordered or whether paid for" (U.S. Small Business Administration n.d.)

Credit balance: "For assets and expenses, a *credit balance* is the same thing as a negative balance." Conversely, "for liabilities, owner's equity accounts,...[a] credit balance is the same thing as a positive balance" (Nelson 2010, 26).

Debt: "Amount owed to another that must be repaid" (U.S. Dept. of Agriculture, et al. n.d.)

Debit balance: "For assets and expenses, a *debit balance* is the same thing as a positive balance" (e.g., "a cash debit balance of $5,000 in your account, and $20,000 of cost of goods sold means that you incurred $20,000 of costs-of-goods expense" (Nelson 2010, 26).

Due on receipt: An invoice that is to be "paid as soon as possible" (Nelson 2010, 57).

Equity: "An ownership interest in a business" (U.S. Small Business Administration n.d.)

Fixed assets: Items such as vehicles, furniture, equipment, and so forth which are intended to be used for a long period of time.

Fixed costs: "Costs of doing business such as rent, utilities, depreciation, taxes, etc., that remain generally the same regardless of the amount of sales of goods or services" (U.S. Dept. of Agriculture, et al. n.d.)

FOB point. *See* **Free-on-board point**.

Free-on-board point (FOB point): "Determines when the transfer of ownership" of a product "occurs, who pays freight, and who bears the risks of damage to the" product "during shipping" (Nelson 2010, 87).

Group: Sets of items that are already on an item list.

Income account: Account used "for tracking the income from the sale of the part" (Nelson 2010, 41).

Income statement: "A report of revenue and expense which shows the results of business operations or net income for a specified period of time" (U.S. Small Business Administration n.d.)

Interest: "A fee charged for the use of money" (U.S. Dept. of Agriculture, et al. n.d.)

Inventory: "Merchandise that is purchased and/or produced and stored for eventual sale" (U.S. Dept. of Agriculture, et al. n.d.)

Inventory assembly: The finished product that you create from other inventory items.

Inventory part: A product that you purchase from someone else, and, in turn, sell to customers.

Item: Each individual entry placed on an invoice or purchase order.

Item list: The list of products and/or services that you buy and sell (Nelson 2010, [37]).

Liability: "Debt owed by the company such as bank loans or accounts payable" (U.S. Dept. of Agriculture, et al. n.d.)

Market value: "What a willing buyer will pay for goods, services, a property or a business" (U.S. Dept. of Agriculture, et al. n.d.)

Markup: "[T]he difference between invoice cost and selling price. It may be expressed either as a percentage of the selling price or the cost price and is supposed to cover all the costs of doing business plus a profit. Whether markup is based on the selling price or the cost price, the base is always equal to 100 percent" (U.S. Small Business Administration n.d.)

Memorized transaction list: "A list of accounting transactions—invoices, bills, checks, purchase orders," etc.—that QuickBooks is asked to memorize (Nelson 2010, 69).

Net [number] (e.g., ***Net 15***; ***Net 30***): "Indicates the number of days after the invoice date within which the customer is supposed to pay" the total amount due. For example, "*Net 15* means that the customer is supposed to pay within 15 days of the invoice date" (Nelson 2010, 57).

Net worth: “Property owned (assets), minus debts and obligations owed (liabilities), is the owner's equity (net worth)” (U.S. Small Business Administration n.d.)

Non-inventory part: Items that you purchase for your business and need to include on purchase orders but do not want to track as inventory.

Obligations: “Technically defined as ‘amount of orders placed, contracts awarded, services received, and similar transactions during a given period which will require payments during the same or a future period’” (U.S. Small Business Administration n.d.)

Ordinary interest: “Simple interest based on a year of 360 days, contrasting with exact interest having a base year of 365 days” (U.S. Small Business Administration n.d.)
Other charge: Freight and other miscellaneous charges included on customer invoices.

Owner’s equity account: The account that “holds the owner's original investment in the company and any retained earnings that have been moved into it at the end of each fiscal year. It shows the value or net worth of the company to it owner(s). Simply put, it is the company assets minus the company liabilities” (Intuit QuickBooks Support “Owner’s Equity”).

Reorder point: “[T]he lowest inventory quantity” of a specific “item that can remain” before a new supply is ordered (Nelson 2010, 44).

Return on investment: “The amount of profit (return) based on the amount of resources (funds) used to produce it. Also the ability of a given investment to earn a return for its use” (U.S. Small Business Administration n.d.)

Sales price: The amount charged for an item.

Sales receipt: Recorded “when a customer pays” a business “in full for the goods” and/or services “at the point of sale” (Nelson 2010, [107]).

Sales tax group: QuickBooks item type used “for sales taxes that are collected in one transaction and owed to multiple agencies” (Nelson 2010, 41).

Subitem: QuickBooks “items that appear within other items” (Nelson 2010, 41).

Subtotal: QuickBooks item type that “adds everything before you subtract any discount, add the sales tax,” etc. (Nelson 2010, 41).

Tax agency: The state or local tax agency responsible for collecting a specific tax.

Term: The time limit in which a bill or loan must be repaid (U.S. Dept. of Agriculture, et al. n.d.)

Terms list: Used “to specify what payment terms are available” (Nelson 2010, 67).

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