



National Diploma Plant/Animal Farm Finance

Handout I

Glossary of Accounting Terms

TERM	DESCRIPTION
Accounting	Recording of an entity's transactions using accounting methods and procedures.
Accounting Convention	Common practice universally followed in recording and presenting information – helps to compare data across units.
Accounts Payable	Money that is owed (buying goods on account or on credit).
Accounts Receivable	Money that should be collected from customers who bought on credit.
Assets	Economic resources that are expected to produce economic benefits for their owners such as buildings, vehicles or machinery.
Bad debts	When customers never pay what they owe.
Balance Sheet	Statement of an entity's position at a given date: assets = liabilities + equity.
Budget	A short-term financial plan.
Cash Equivalents	Not cash but can be converted into cash easily.
Cash Flow Statement	A statement showing sources and uses of funds and that explains the changes in cash and cash equivalents over the period of accounts.
Creditor	Someone to whom money is owed.
Debtor	Someone who owes us money.
Depreciation	A loss of value./The process of allocating the original purchase price of a fixed asset over the course of its useful life.

TERM	DESCRIPTION
Director	People appointed by the shareholders to manage the company.
Equity	Difference between the rand value, total assets and liabilities.
Expense	Decreases equity other relating distributions to participants.
Elements	Assets, liabilities, income, expenses and equity.
Estimate	Calculated guess based on forecasts.
Forecasting	Making predictions for the future.
Freely Transferable	When the general public are able to buy and sell their shares.
Income	Increases equity other relating contributions from participants.
Income Statement	A record of an entity's income and expenses for a specified period of time.
Interest	Percentage accumulated on monies invested or monies owed.
Liabilities	Present obligations resulting past settlement resulting outflows.
Post	The process of transferring information to a ledger.
Prepaid Expense	Portion of an expense has been paid off.
Ratio	Measures the relationship between two measurable items by dividing one item by another item.

TERM	DESCRIPTION
Retained Earnings	A portion of profit not drawn out by the owner.
Return	The owners earning a good return on investment in the business.
Shares	A unit of ownership in a company.
Shareholder / Stockholder	Individual who owns the shares.
Tax	Monies that are payable as a portion of income as per a country's legislation.
Unbiased	Serving accounting principles alone and not one's own interest.
Wages	Calculated by adding normal time and overtime.