

Chapter 6
Office Management
Key Terms

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- A. The concept states that revenues should be reported when earned rather than when the cash is received, and expenses should be reported when incurred rather than when paid.
- B. The managers of a business represent one important group of users of accounting information.
- C. An entry recorded on the right side of a T-account
- D. The owners of the corporation and those who own capital stock in the corporation.
- E. The costs of goods and services consumed (used up) by the entity as a result of earning revenue.
- F. A device used to collect and summarize information and is sometimes called a ledger account.
- G. Since accountants divide the life of an entity into arbitrary 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.
- H. A record of all the accounts maintained by an entity.
- I. The transfer of information from the journal to the ledger.
- J. 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 other items, it is not necessary to follow accounting theory precisely. In determining this, the important consideration is whether knowledge of the item would influence the decisions of users.
- K. Consists of an independent auditor (CPA) reviewing a company's financial statements to determine their conformity with generally accepted accounting principles.
- L. Earnings resulting from the receipt of cash or other assets (or the reduction of a liability) in exchange for goods sold by an entity or services performed by an entity.
- M. A listing of all the ledger account balances.
- N. The principle states that expenses incurred in earning revenues should be matched with those revenues to determine net income. Therefore, expenses should be reported in the same period as the revenues to which they correspond.
- O. A set of rules that govern the format of the financial statements and the methods of recording the data summarized within them.
- P. An accounting period that consists of 12 consecutive months. This may follow the calendar year of the natural business year.
- Q. A common unit of measure must be used for recording economic events. In accounting, money is that unit of measure and is also known as the monetary unit principle.
- R. The recording of an equal amount of debits and credits, and it is also sometimes referred to as the duality 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.
- S. The process of recording, measuring, summarizing, analyzing, and interpreting financial information and communicating this information to various users for decision-making purposes.
- T. Users of accounting data that are outside or external to the company's management.
- U. Assumes that a dollar today is worth the same amount as a dollar used to buy an asset in the past.

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- V. Books of original entry where transactions are recorded in chronological order.
- W. The standard general-purpose reports of a company and includes the balance sheet (statement of financial position), the income statement, the statement of retained earnings, and the statement of cash flows.
- X. Economic resources from which an owner can expect to receive benefits now or in the future.
- Y. A business with two or more owners who have agreed to operate as co-owners, and who share the profits and losses of the business in an agreed-on-proportion. For most purposes a partnership is not a separate legal entity from its owners; however, it is a separate accounting entity.
- Z. The owners of the corporation and those who own capital stock in the corporation.
- AA. A representation of the following relationship: Assets are equal to liabilities plus owners' equity. (Assets = Liabilities + Owners' Equity)
- BB. Requires that all information that may be relevant to decision makers be communicated to them through the financial statements.
- CC. The life of an entity must be divided into time intervals for reporting purposes, as decision makers need accounting information about the entity periodically to make decisions. Therefore, the accountant must make periodic reports about the economic affairs of the entity.
- DD. A business owned by one individual; not a separate legal entity from its owner, although it is a separate accounting entity.
- EE. An entry recorded on the left side of a T-account.
- FF. The accounting principle that requires that once an accounting or reporting method is selected, it should be used from one period to another.
- GG. The original purchase cost that should be used to value assets for financial statement purposes.
- HH. This principle requires that 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.
- II. An obligation or debt of an entity that is owed to other parties.
- JJ. Represents the resources invested in the business by owners, this is the residual claim, which means that, legally, the claims of creditors (liabilities) come first and that owners are entitled to whatever remains after creditors are paid.
- KK. Requires that accounting information must make a difference in the specific decisions that are to be made from the information.
- LL. Represents the resources invested in the business by owners, this is a residual claim, which means that, legally, the claims of creditors (liabilities) come first and that owners are entitled to whatever remains after creditors are paid.
- MM. In accounting, this assumption states that the accountant assumes that the entity is going to exist for an indefinite period of time.
- NN. Any business, individual, or not-for-profit organization whose financial affairs can be viewed as distinct from those of any other entity or unit.

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- OO. A separate legal entity created by state or federal law and is also a separate accounting entity that usually has the same legal rights and obligations as individuals. This entity issues shares of capital stock in exchange for money, assets, or services.