

Common Accounting Terminology Glossary (Alphabetical order)

Account

An account is a record used to properly classify the activity recorded in the General Ledger.

Account balance

An account balance is the sum of debit entries minus the sum of credit entries in an account. If positive, the difference is called a debit balance; if negative, a credit balance.

Accounting

Accounting is recording and reporting of financial transactions, including the origination of the transaction, its recognition, processing, and summarization in the financial statements.

Accounts Payable

Accounts Payable is an amount owed by the college for delivered goods or completed services. Accounts Payable is a liability. Certain expenses are paid through Accounts Payable, see *What is an Expense* above.

Accounts Receivable

Account Receivable is an amount owed to the college from a completed transaction of sales or services rendered. For example-student account balances. Accounts Receivable is an asset.

Accrual Basis

Accrual basis is a method of accounting that recognizes revenue when earned, rather than when collected and expenses when incurred rather than when paid. The college uses the accrual basis for its accounting.

Asset

An asset is what the college owns. For example- land, property, buildings, equipment, cash in bank accounts, other investments and accounts receivable.

Audit

An audit is a formal examination and official endorsement of the accuracy of the financial statements of the college by an independent certified public accountant (CPA). Based on GAAP and FASB rules the college is required to have an audit performed each fiscal year. Audited financial statements are available on the Controller's Office website at:

<http://www.brynmawr.edu/controller/generalaccounting.shtml#audited>.

Balance Sheet

A Balance Sheet is a summary report of the college's assets, liabilities and fund balance (net assets) on a specific date.

Budget

A budget is an estimate of activity for a fiscal year or period. A budget can be created for a department or a project.

Cost of Goods Sold

Cost of Goods Sold (CGS) is the cost of items purchased for resale. For example-the bookshop purchases textbooks to sell in the bookshop, UnCommon Grounds buy rolls that will be used to make sandwiches that will be sold in UnCommon Grounds.

Credit

A credit is an entry on the right side of a double-entry accounting system that represents the reduction of an asset or expense or the addition to a liability or revenue.

Debit

A debit is an entry on the left side of a double-entry accounting system that represents the addition of an asset or expense or the reduction to a liability or revenue.

Double-Entry Accounting

Double-entry accounting is a method of recording financial transactions in which each transaction is entered in two or more accounts and involves two-way, self-balancing posting. Total debits must equal total credits. The college uses this method of accounting.

Expense

An expense is funds paid by the college. For example-paychecks to employees, reimbursements to employees, payments to vendors for goods or services.

FASB

FASB stands for Financial Accounting Standards Board which is an independent, private, non-governmental authority for the establishment of accounting principles in the United States.

Financial Statements

Financial Statements are a series of reports showing a summary view of the various financial activities of the college at a specific point in time. Each statement tells a different story about the financial activity of the college.

Fiscal Year

A fiscal year is a period of 12 consecutive months chosen by an entity as its accounting period which may or may not be a calendar year. The college's fiscal year is June 1st to May 31st.

Fixed Asset

A fixed asset is any tangible item with a useful life of more than one year and a unit cost of \$5,000 or more. For example-campus buildings and major equipment. A fixed asset is an asset.

Fund Balance (net assets)

Fund balance represents the net assets of the college. To arrive at this number take total assets minus total liabilities. Any excess revenue over expenses or cumulative appreciation or depreciation on investments will become a net asset at the end of the fiscal year.

GAAP

GAAP stands for Generally Accepted Accounting Principles which are conventions, rules, and procedures necessary to define accepted accounting practice at a particular time. The highest levels of such principles are set by FASB.

General Ledger

The general ledger is the collection of all asset, liability, fund balance (net assets), revenue and expense accounts.

Income Statement

An Income Statement is a summary report that shows revenues and expenses over a specific period of time, typically a month, quarter or fiscal year.

Journal Entry

A journal entry is a group of debit and credit transactions that are posted to the general ledger. All journal entries must net to zero so debits must equal credits.

Liability

A liability is what the college owes. For example-loans, taxes, payables, long term debt from a bond issue, funds held by the college for a third party such as a student group.

Net Income (loss)

Net Income (loss) is the amount the college, a department or a project made or lost for a specific period of time. To arrive at this number take total revenues minus total expenses.

Restricted Fund

A restricted fund is a fund established to account for assets whose income must be used for purposes established by donors or grantors. The college's restricted funds are fund 2, 3, 4, 5, 6, 7 and 9.

Revenue

Revenue is funds collected by the college; it can also be called income. For example-tuition, fees, rentals, income from investments.

Subsidiary Ledger

A subsidiary ledger is a group of accounts containing the detail of debit and credit entries. For example-detail information contained in Accounts Payable.

Unrestricted Fund

An unrestricted fund is a fund of the college that has no restrictions as to use or purpose. The college's unrestricted fund is Fund 1.