

GLOSSARY OF FINANCIAL TERMS

Account	A separate category of asset, liability, equity, revenue, or expense for which transactions are recorded separately. An account can have a debit or credit balance. Account records are usually kept as separate pages in a book called a ledger.
Accounts Payable	Outstanding bills that are to be paid in the future. A current liability that shows money owed to creditors for services or items purchased.
Accounts Receivable	Outstanding invoices for which payment has not been received. Amount owed by customers to a business from sales on account (buy now, pay later).
Accrued Expenses	Expenses which have been incurred but have not yet been paid and recorded in the ledger because no invoice (bill) has been received.
Assets	Things of value owned by an individual or a Chapter (economic resources of business) that can be measured and expressed in monetary terms such as your home, investments, and other valuables; or money owed to you by others.
Average Annual Total Return	A percentage equal to the interest rate on a bank account that would give you the same total return on your investment. Also called "Internal Rate of Return" (IRR), average annual total return takes into account money earned by the investment (interest, dividends, capital gains distributions), as well as changes in share price and negative cash flow such as brokers' fees. Average annual total return includes all relevant cash flow in its calculation.
Bad Debts	The amounts not paid when a customer fails to pay all or part of what is owed. You should make an adjusting entry to record it as an expense.
Balance	The difference between payments and deposits in an account (or the amount of money in your account).
Balance Sheet	A balance sheet provides a financial picture of what a Chapter is worth as of a particular date. The report lists how much the Chapter owns (assets), what it owes (liabilities), and how much the owner's investment (owner's equity or stockholders' equity) is worth (assets minus liabilities).
Budget Report	A report comparing planned income and expense with actual income and expense.
Capital	Same as principal. Return of capital is a term used by unit trusts for payments of principal.
Cash	Cash is assumed to include checking accounts, currency, and the like.
Cash Flow Statement	A record of all cash inflows and outflows during a given period.
Certificate of Deposit (CD)	Issued by a bank that borrows your money for a specified time and pays you interest at a fixed rate. The value does not fluctuate, but you pay penalties if

you redeem it before its due date.

Chart of accounts	A list of the accounts in a ledger, arranged by account number. Some examples of balance sheet accounts (your Chapter assets, liabilities, and capital).
Closing the Books	The process of posting closing entries to clear the revenue and expense accounts and to transfer the net income to the Retained Earnings account at the end of an accounting year. It is done to ensure that the books (ledgers) are ready to record the next accounting year's transactions.
Cost Accounting	A system of allocating costs or expenses to a particular job, committee, or project so that Chapter officers can quickly determine whether the project is meeting its budget or earning the company any profits.
Cleared item	Any transaction (payment, charge, or deposit) that has been processed by the bank. Cleared items appear on your monthly bank statement and credit card statement.
Credit	An item that increases the balance of an asset account (a bank, cash, investment, or asset account). For a liability account (a credit card or liability account), a credit decreases the balance you owe.
Current Assets	Assets that will be consumed or converted into cash within one year or a normal operating cycle.
Current Balance	The balance of all transactions entered as of today. The current balance does not include postdated transactions.
Current Liabilities	Debts or obligations of a Chapter due within one year .
Debit	An item that decreases the balance of an asset account (a bank, cash, investment, or asset account). For a liability account (a credit card or liability account), a debit increases the balance you owe.
Deposit	Any transaction that is added to your account. Deposits include interest earned and checks you deposit in your account. Deposits are also called 'credits.'
Dividend	Money paid to shareholders by stock, mutual fund, or money fund. It comes out of earnings or interest.
Ending balance	<ol style="list-style-type: none"> (1) The balance of all transactions entered in an account register, including postdated transactions. This balance shows at the bottom of the register. (2) The amount of money the bank had in your account on the last day of the period covered by your statement.
Equity	Total assets minus total liabilities (also, the value of the owner's or owners' stake in the business).
Financial Statements	The Balance Sheet and the Income Statement.

Fixed Assets	Assets such as equipment, buildings, land that are used in operating the Chapter and which have a long life (greater than five years).
Income	The amount left after all the revenues for a period are accounted for, and all costs and expenses for the same period are deducted. Income is also called net income, profit, or net profit.
Income Statement Accounts	Income statement accounts are also called profit and loss accounts.
Journal	A Chapter's primary record of business transactions. All transactions recorded by a business are recorded first in a journal. See also: Journal Entry.
Journal Entry	The record of a transaction into a journal.
Ledger	A book in which each page contains the record of one account. (ie. Dues, Fundraising, Education programs, etc.)
Liabilities	Debts or obligations of the Chapter.
Long-term liabilities	The debts or obligations of a Chapter that will not be paid off within one year.
Net Worth	Assets minus liabilities.
Opening the Books	The process of setting up a new set of books (ledgers) with the correct balance sheet account balances, and zero balances in the revenue and expense accounts. When this is done, the new books are ready to record the upcoming accounting year's transactions. See also: Closing the Books.
Posting	Transferring information from the journal ledger to the applicable general ledger account.
Prepaid expenses	Expenses which are paid for in advance, such as insurance and rent. Prepaid expenses are current assets. Items are bought and become assets. As they expire, the items are consumed and shown as expenses.
Realization	The recording of revenues or expenses. Revenue is realized when the title to goods or services passes to the customer. Expenses are realized when they are incurred, or, if they can be matched to a certain good or service provided, they are recorded at the time the revenue for that particular good or service is recorded.
Revenues	The amount a Chapter earns by selling products or services.
Sales	The amount that a Chapter earns through selling products.
Total assets	Sum of current assets and plant and equipment.
Total current assets	Sum of all assets that will be consumed or converted into cash within one year.

Total current Liabilities	The sum of obligations due to be paid within one year.
Total liabilities	The total of current and long-term liabilities.
Trial Balance	A list of all the debit and credit balances of all the accounts in the general ledger. Use it to ensure that there have been no posting or addition mistakes and that the total debits equal the total credits.
Withdrawal	The money taken out of a Chapter account by a Chapter officer or member.