**Unit 6 Vocabulary**

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| **Key Term** | **Definition** |
| **Accounting** | The process of keeping and interpreting financial records |
| **Accounting System** | The methods and procedures used in consistently handling the business's financial information |
| **Accounts Payable** | Liabilities of a business which represent money owed to others. |
| **Accounts Receivable**  | Assets of a business which represent money owed to a business by others |
| **Accrual Accounting Method** | A method of accounting that records transactions at the time they occur even if no money changes hands at the time  |
| **Assets** | What a company owns |
| **Balance Sheet** | Provides a snapshot of a business' assets, liabilities, and equity on a given date |
| **Cash Accounting Method** | An accounting method in which income and expenditures are recorded at the time the money changes hands |
| **Cost Accounting** | Used to reduce and eliminate costs in a business; cost accounting is used to determine a price for a product or service that will allow earnings of a reasonable profit. |
| **Credit** | To enter an amount on the right side of an account; normal entries to revenue accounts are credits; liabilities normally have credit balances. |
| **Debit** | A balance on the left side of an account in the general ledger; typically expenses, losses, and assets have debit balances. |

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| **Key Term** | **Definition** |
| **Equity** | Equity is the value of the owner’s investment in the business. Equity = Assets – Liabilities.  |
| **Income Statement** | A financial statement documents the difference in revenue and expenses, resulting in income. |
| **Liabilities** | What a company owes |
| **Managerial Accounting** | A type of accounting that involves preparing and reporting financial data to internal users, usually managers, who need financial information to control day-to-day operations and to make financial decisions and plans affecting the business |