



accounting**seed**

Accounting Vocabulary Guide

BILLING & REVENUE

Account / Customer

Textbook Definition: Customer master record used to record billing addresses, payment terms, etc.

Street Definition: The info you need to hunt down the customer to firebomb them when they won't pay.

Billing / Accounts Receivable / Sales Invoice / Customer Invoice

Textbook Definition: A document detailing out what the customer owes with the sale of your services or products.

Street Definition: Shows the list of high quality, beautiful products and services you have blessed the customer with.

Customer Credit Memo

Textbook Definition: A document detailing out what the customer returned or was given from the return of a prior sale.

Street Definition: Shows what you generously gave back to an unreasonable customer who does not understand the value of your offering before they went unjustifiably ballistic.

Recurring Billing / Recurring Invoice / Memorized Billing

Textbook Definition: Allows for the automatic creation of a billing from a template for a specific customer on a regular interval of time such as monthly, quarterly, semi-annual, or annual basis.

Street Definition: Shows the list of amazing, world changing products that this super smart customer keeps buying from you!

Metered Billing

Textbook Definition: Billing (invoicing) a customer based on their usage of a service.

Street Definition: A billing system that delivers a clever way of making the customer feel like they got value from you in a context they can't benchmark, challenge, or understand.

Cash Receipt

Textbook Definition: Money received from a customer for a billing, deposit, retainer, or donation. Also money returned from a vendor.

Street Definition: The cold hard cash you are bringing into the biz! Ahhh. Joy!

Customer Deposit / Retainer

Textbook Definition: A cash receipt collected from a customer to be specifically applied against a future billing.

Street Definition: The money you require the customer to pay up front because you don't trust them to pay the bill later or that they will have the cash to pay you when it is due.

Cash Application / Cash Match

Textbook Definition: A cash receipt applied to a billing to show that the balance on the billing has been partially or fully paid.

Street Definition: The money you matched to the customer bill, so at least you both know which specific bills they paid and which ones they are trying to weasel out of paying.

Bank Deposit / Deposit

Textbook Definition: A grouping of cash receipts for the purposes of reconciliation with a bank statement.

Street Definition: A record of the group of checks you took to the bank last week on your way to Chick-Fil-A.

Revenue Recognition Method

Textbook Definition: The accounting method used to determine when revenue is recognized. The most common methods are:

- Recognition when billed
- Deferred revenue (See Below)
- Project Percent Complete (See Below)

Street Definition: An accounting methodology that crooked companies like Enron and MCI Worldcom keep changing every year to more easily commit fraud.

Amortized Revenue / Deferred Revenue

Textbook Definition: A revenue recognition method that records revenue in the accounting period for which the service was delivered instead of the period it was billed.

Street Definition: What you would hypothetically charge the customer on a monthly basis if it wasn't practically impossible to collect from them each month.

Current Accounts Receivable Aging

Textbook Definition: An accounts receivable aging is a report that shows what billings are unpaid or past due as of the report runtime. The billings are grouped in categories called “Aging Categories.” The Aging Categories are typically: Current, 1-30, 31-60, 61-90, Over 90. However, a flexible accounting system will provide for other groupings.

Street Definition: A report that prioritizes which customers to firebomb first for not paying as of this very moment!

Historical Accounts Receivable Aging / Period Sensitive AR Aging

Textbook Definition: A historical accounts receivable aging is a report that shows what billings are unpaid or past due as of the end of a specific accounting period. The billings are grouped in categories called “Aging Categories.” The Aging Categories are typically: Current, 1-30, 31-60, 61-90, Over 90. However, a flexible accounting system will provide for other groupings. A historical aging report is used for audit purposes.

Street Definition: A report that showed which customers you should have firebombed for not paying at the end of a specific Accounting Period.

PAYABLES & EXPENSES

Account / Vendor

Textbook Definition: Vendor master record used to record billing addresses, payment terms, etc.

Street Definition: The info of an organization who will be on the hunt for you if you do not pay your bills.

Payable / Account Payable / Purchase Invoice / Vendor Invoice

Textbook Definition: A document detailing out what you owe a vendor for a service or product.

Street Definition: A list of stuff that you thought cost too much or should have been free from your supplier.

Vendor Credit Memo

Textbook Definition: A document detailing out what you returned to a vendor or were given from a vendor for the return of a prior purchase.

Street Definition: A list showing the crap that was broken and you returned to the vendor.

Recurring Payable / Recurring Expense / Memorized Expense

Textbook Definition: Allows for the automatic creation of a payable from a template for a specific vendor on a regular interval of time such as monthly, quarterly, semi-annual, or annual basis.

Street Definition: Shows the crap you are repeatedly a sucker for buying. When are you going to learn?

Metered Payable

Textbook Definition: Payable (Vendor Invoice) from vendor based on their usage of a service.

Street Definition: A surprising and unbelievable vendor invoice that shows some amount of something that you allegedly consumed. Typically used to initiate a manhunt for the lazy employee who drove up the usage last month by not being mindful of what they were doing.

Cash Disbursement

Textbook Definition: Money paid to a vendor for a payable or vendor deposit. Also money returned to a customer.

Street Definition: The cold hard cash being practically stolen from you by greedy suppliers and jerk customers after you have worked so hard to make the world a better place.

Vendor Deposit / Vendor Retainer

Textbook Definition: A cash disbursement made to a vendor to be specifically applied against a future payable from the vendor.

Street Definition: The money that a ridiculous vendor who knows nothing about your amazing reputation as a fair and wonderful company to do business with wants to have in hand before they do any work for you or ship you anything.

Applied Disbursement / Reverse Applied Disbursement

Textbook Definition: A cash disbursement applied to a payable to show that the balance on the payable has been partially or fully paid.

Street Definition: The matching of the prepayment you made to the ridiculous vendor's invoice they sent. Used to clarify and control a sneaky and dirty vendor trying to make you pay for a bunch of stuff you didn't authorize or ask for.

Amortized Expense / Deferred Expense

Textbook Definition: An expense recognition method that records the expense in the accounting period in which the service was consumed instead of the period it was recorded as a payable (vendor invoice).

Street Definition: What you should hypothetically pay on a monthly basis if there was any trust left in the world and the vendor could be bothered to send you an invoice each month.

Current Accounts Payable Aging

Textbook Definition: An accounts payable aging is a report that shows what payables are unpaid or past due as of the report runtime. The payables are grouped in categories called “Aging Categories.” The Aging Categories are typically: Current, 1-30, 31-60, 61-90, Over 90. However, a flexible accounting system will provide for other groupings.

Street Definition: Shows the list of unreasonable vendors with their invoices who keep calling you for payment despite your efforts to explain very nicely that you already mailed them a check and you can’t be held accountable for the actions and performance of the post office.

Period Sensitive / Historical Accounts Payable Aging

Textbook Definition: A historical accounts payable aging is a report that shows what payables are unpaid or past due as of the end of a specific accounting period. The payables are grouped in categories called “Aging Categories.” The Aging Categories are typically: Current, 1-30, 31-60, 61-90, Over 90. However, a flexible accounting system will provide for other groupings. A historical aging report is used for audit purposes.

Street Definition: Shows a list of vendors with their inaccurate invoices who don’t deserve your money at the end of a specific accounting period.

GENERAL LEDGER

Accounting Period

Textbook Definition: An accounting period is the span of time covered by a set of financial statements, typically 1 month.

Street Definition: The short amount of time that you can’t believe has passed already in which you need to review your accounting again.

GL Account / General Ledger Account

Textbook Definition: A data record used to classify, sort, and summarize a company's accounting transactions.

Street Definition: The thing you keep getting confused with "account," meaning customer and vendor, and have offered a half dozen new names for like: "Ledger Category," or "Ledger Classification" after which your accountant responds: "Yeah, that is a much better name!" but then never, ever changes from using the term.

Chart of Accounts

Textbook Definition: A list of all general ledger accounts. The list is ordered by the following types of accounts:

- Assets
- Liabilities
- Equity
- Revenues
- Expenses

Street Definition: The classifications for Assets, Liabilities & Equity, Revenues, and Expenses that made no sense when you first joined the company. However, since you fixed them now, anyone can have an instant, crystal clear financial picture of your company.

GL Variable / Subaccount / Dimension

Textbook Definition: A data record used to classify, sort, and summarize a company's accounting transactions in combination with a GL Account, or General Ledger Account, for a specific business unit or sub-category of a business such as:

- Divisions
- Departments
- Cost Centers
- Profit Centers
- Lines of Business
- Funds

Street Definition: The detailed classifications you keep complaining to your accountant about that are all wrong since you last re-organized the business. He or she needs to simply jump into a time machine and restate all the history in terms of the new organizational structure.

Accounting Debits and Credits / Double Entry Accounting

Textbook Definition: A system of recording financial transactions where every entry to a GL Account requires a corresponding and opposite entry to a different GL Account or group of accounts. The double-entry has equal and corresponding sides known as debit and credit. Debits are recorded in the left-hand column or as positive entries in a single column. Credits are recorded in the right-hand column or as negative entries in a single column.

Street Definition: An accounting methodology that QuickBooks doesn't do.

Banking Debits and Credits

Textbook Definition: Banking debits and credits are terms used by the bank in the context of increases or decreases to the balance in your bank account.

- When a bank credits your account, it increases your balance.
- When the bank debits your account, it decreases the balance.

Banking Debits and Credits are the chief agent of confusion for people trying to learn double entry accounting since they are opposite of the debits and credits used to increase or decrease your accounting records for an adjustment to your cash general ledger account. These would be:

- A debit to cash would increase your cash balance in your ledger.
- A credit to cash would decrease your cash balance in your ledger.

Street Definition: Terminology used by your bank in a backwards way from your accounting system, causing great confusion and angst.

Cash Basis Accounting

Textbook Definition: A method of recording accounting transactions for revenues and expenses at the time cash is received or paid out.

Street Definition: The method of accounting that small business owners use if they don't value financial data in making decisions to grow their business.

Accrual Basis Accounting

Textbook Definition: A method of recording accounting transactions for revenue when earned and expenses when incurred. Accrual accounting is generally considered superior to cash basis accounting.

Street Definition: The wise method of accounting to use for companies that want to grow and manage their business successfully.

Modified Cash Accounting

Textbook Definition: A method of accounting that combines both accrual and cash basis. Modified Cash Basis Accounting is used by most small to midsize businesses that are not audited routinely. A company will account for transactions primarily on an accrual basis, but will skip amortizing non-material revenues and expenses when they are not considered important for making business decisions.

Street Definition: The name you give to your accounting method when you are too lazy to amortize your insurance policies and software subscription expenses.

Accrual

Textbook Definition: The recording of an accumulation or increase in value of the combination of an asset and revenue or a liability and expense. Used to record financial transactions in a specific period, either earned or incurred.

Street Definition: An accounting entry to recognize an asset or liability that doesn't seem emotionally charged until you speak to the sales team about their accrued sales commissions.

Bank Reconciliation / Bank Audit

Textbook Definition: A tool used to confirm that all cash transactions recorded at the bank are also recorded in the accounting system and vice-versa. Also used to highlight timing differences in recording transactions between the bank and your books.

Street Definition: An audit procedure with your bank data you are going to first ask a robot to do when artificial intelligence becomes a reality.

GL Account Reconciliation / GL Account Audit

Textbook Definition: A process of proving the value of a balance sheet account at the end of an accounting period by comparing the balance to an outside statement, a summary from a related data table, or a schedule detailing the events that changed the balance from last month.

Street Definition: A detailed review of your balance sheet accounts that you feel like you just got done for the last month and can't believe needs to be done again already.

Fixed Assets

Textbook Definition: Plant, Property, and Equipment you purchase to operate a business that is used over multiple accounting periods

Street Definition: Non-liquid assets visible to you every day when you come to the office causing you agony when they are unutilized in a downward business cycle.

Allocation

Textbook Definition: The act of spreading expenses and/or revenue across sub accounts, business units, or projects.

Street Definition: The non-controllable expenses from corporate that the division managers always act surprised to see, question the authenticity of, and then offer as the first thing to cut back on when they are over their expense budgets.

FINANCIAL REPORTING

PnL / Profit & Loss / Income Statement

Textbook Definition: A core financial report that provides a summary of a company's revenues, expenses, and profits/losses over a period of time.

Street Definition: The principle earnings report that the company owners thought would turn out better than it did.

Balance Sheet

Textbook Definition: An accounting report that shows a company's assets, liabilities, and equity on a specific day.

Street Definition: The list of assets and liabilities reported that the company owner says does not represent the "true value" of his business when speaking to a respective buyer.

Trial Balance

Textbook Definition: An accounting control report that combines the cumulative debits and credits for all general ledger accounts into one view for a specified period to make sure all debits and credits are equal.

Street Definition: The principle month-end control report your accountant stares at while she is pulling her hair out trying to figure out why supporting detail schedules do not tie to the balance sheet account values.

Direct Cash Flow Statement

Textbook Definition: A cash flow statement that shows all of the actual cash transactions over a specified period of time. Generally considered the most useful format for analyzing cash flow from operations and for companies with simple cash management activity.

Street Definition: A cash flow report that makes sense to non-accountants.

Indirect Cash Flow Statement

Textbook Definition: A cash flow statement that shows a reconciliation from net income or loss to net change in cash, adding back non-cash transactions and showing a net change in balance sheet accounts over a specified period of time. Generally considered more useful for publicly traded companies with complex cash management activities.

Street Definition: A cash flow report your accountant spent hours trying to reconcile before he plugged in the unreconciled amount to net change in accrued expenses.

Trust Accounting

Textbook Definition: Maintaining accounting records for assets and/or liabilities that you are the custodian of. These would be assets and liabilities that are owned by your clients, but you manage for them.

Street Definition: An accounting system used to track your customer's money. Frequently used in a calculation of how long you could last hiding underground in South America before the FBI found you if you were to take your client's net assets.

MULTI-COMPANY

Multi-Ledger / Multi-Company

Textbook Definition: Accounting for multiple legal entities in a single database sharing master data tables such as Accounts, GL Accounts, Contacts, and Products.

Street Definition: The feature you are surely going to need in the future after you are on the cover of Forbes with the feature story detailing out how you dominated your industry, destroyed your competition, and have nothing else to do with your billions than buy new companies!

Multi-National

Textbook Definition: An organization that owns multiple legal entities in different countries with requirements to report financial results in two currencies for each subsidiary. Each foreign entity is typically required to keep their main accounting in the country's local currency. However, the entity's results need to be converted to the parent company's currency as well as be consolidated in a single currency.

Street Definition: The predominant governing organization run mostly by artificial intelligence after the world is destroyed via nuclear war.

Consolidation

Textbook Definition: The act of adding up the results of multiple legal entities in a single currency but eliminating intercompany transactions between the entities while doing so.

Street Definition: The act of adding up the results of all the companies you own; in which American workers discover that European workers get much more vacation time than they do since the task is often delayed by European worker holiday and vacation plans.

Intercompany Transactions

Textbook Definition: Transactions between two or more legal entities that need to be eliminated to correctly report the combined financial results of the consolidated entities. The most common types of intercompany transactions are billing and payables between the entities, as well as when one entity loans money or invests in another.

Street Definition: Transactions between commonly owned companies which are often a source of disappointment for the CFO because she is reminded that consolidated sales overall did not increase despite her first glance at the individual subsidiary's numbers since the only thing that was up against were intercompany sales.

MULTI-CURRENCY

Ledger Base Currency

Textbook Definition: The currency in which all foreign transactions are converted into for unified financial reporting within the ledger.

Street Definition: The single currency you wish you could bill all your customers for and pay all your suppliers in.

Foreign Amount

Textbook Definition: An amount in a currency other than the ledger base currency.

Street Definition: The amount in a currency you don't want to bother with, but end up settling for when you want to meet the sales goal, or can't find a decent local vendor to supply you.

Ledger Amount

Textbook Definition: The amount of a foreign transaction after it has been converted into the currency of the ledger.

Street Definition: The real amount of money you are receiving or paying after it is converted to the currency you use.

Currency Exchange Rate / FX Rate / Foreign Exchange Rate

Textbook Definition: A factor used as a multiplier or divisor to convert an amount in one currency to another.

Street Definition: A confusing factor that sparks the common question: “Do I need to multiply or divide this factor to get my conversion?”

Realized Gain/Loss on Currency Exchange

Textbook Definition: The difference in exchange rates resulting in a gain or loss between an asset or liability when it is recorded and subsequently paid. For example, a customer invoice could be recorded using an exchange rate of X, while at the time cash is received, the exchange rate is Y. The amount of the invoice $\times (X - Y)$ is recorded as a realized gain or loss on currency exchange.

Street Definition: The amount that you lost or won based on foreign currency rate fluctuation that’s out of your control. Also known as “good luck” or “bad luck.”

Unrealized gain or Loss on currency exchange

Textbook Definition: The hypothetical difference in exchange rates resulting in a gain or loss between an asset or liability when it is recorded and the exchange rate is verified at month’s end. To accurately value foreign assets and liabilities at month’s end, accountants will ask the question: What if this asset or liability was paid today? What would be the realized gain or loss on currency exchange using the prevailing FX rate at month end? This allows an accountant to record the increase or decrease to the asset or liability based on the difference in rates to more accurately reflect the true value of the asset or liability on the last day of the month.

Street Definition: Non-cash adjustments to your books based on fluctuations in foreign currency exchange rates. What non-accountants label as ‘funny money.’

Currency Translation

Textbook Definition: The act of converting the results of a child company to the same currency as the parent company for consolidation of the combined entities into one reporting currency.

Street Definition: The act of converting the subsidiaries’ financials into results the management team and owners can relate to, enabling better bickering amongst themselves over how it should be performing.

TAXATION

Nexus

Textbook Definition: When a government and/or taxation authority has declared that your business is subject to their tax jurisdiction.

Street Definition: Depressing news that you need to charge/pay tax in a region due to business expansion.

Statutory Reporting

Textbook Definition: Reporting to a government or regulatory authority in a prescribed format dictated by their own regulations.

Street Definition: Reporting to local governments and regulatory agencies that the management team considers a waste of time as they have no use for it.

VAT/GST

Textbook Definition: Value Added Tax or Goods and Services Tax. A method of taxing sales and purchase transactions based on the difference between tax revenue collected on sales minus the tax paid to suppliers for purchases.

Street Definition: A transaction based tax system that starts out simple and eventually becomes complex as politicians manipulate/change and add exceptions over multiple election cycles.

ORDERS & INVENTORY

Sales Order

Textbook Definition: A sales order represents a bonafide customer order for your products and/or services. Sales orders represent real demand for your product or service which you need to fulfill for the customer.

Street Definition: A record of what your lucky customer has agreed to buy from you.

Purchase Order

Textbook Definition: A formal communication sent to a seller of goods or services to purchase a set quantity of items with specific prices.

Street Definition: A record of what you have agreed to buy from your supplier.

Work Order

Textbook Definition: A document outlining the tasks required to fulfill an organization's commitment for sales or service of a specific offering.

Street Definition: A record of the work you plan to perform including the services and materials that often change when you show up to the customer's site and the problem they are experiencing is much different from what they described.

Inventory Balance

Textbook Definition: The quantity of a product that's physically on-site which can be shipped to a customer.

Street Definition: A list of the crap that is in the warehouse.

Inventory Valuation

Textbook Definition: A method used to calculate the cost of the inventory purchased, stocked, and sold. The most widely used, and considered the most valuable with little dispute, is weighted average cost. Other valuations used are:

- FIFO - First In First Out
- LIFO - Last In First Out
- Standard Cost
- Specific Identification

Street Definition: What the stuff in the warehouse is worth.

BOM/Bill of Material

Textbook Definition: A list of raw materials with quantities used to create a manufactured product.

Street Definition: The ingredients list to make a product.

Multi-Layer BOM / Nested BOM

Textbook Definition: A list of raw materials with nested subassemblies and quantities used to create a manufactured product.

Street Definition: The ingredients listed in an order of operations to make a multi-step, complex product.

RMA (Return Merchandise Authorization)

Textbook Definition: A process defined by a manufacturer to allow a distributor to return or replace a damaged or defective product under the manufacturer's warranty.

Street Definition: The process of returning a shoddy product back to the maker.

Serial Number

Textbook Definition: A unique identifier tag created by the manufacturer to identify a specific physical good.

Street Definition: A unique identification tag that a manufacturer can use to pinpoint who screwed up in the organization when a product is defective.

Lot Tracking

Textbook Definition: A unique identifier tag created by the manufacturer to identify a specific batch of physical goods.

Street Definition: A unique identification tag that a manufacturer can use to pinpoint who was running the plant, and subsequently knock some skulls when a defective product is returned.

Vouchers Payable

Textbook Definition: A general ledger account used as a clearing account to record the receipt of a purchased product as a liability prior to receiving a vendor invoice for the good. Once the vendor invoice is received, the liability in vouchers payable is cleared or relieved.

Street Definition: A GL account tracking what you owe before you actually owe it. You no longer have to contact Dionne Warwick and the Psychic Friends Network to figure out what the future holds for your supplier invoices.

PROJECT ACCOUNTING

Projects /Project Accounting / Job Costing

Textbook Definition: The accounting for a specific initiative, customer engagement, or event. Project accounting typically tracks revenue and expenses incurred against a budget. Some project accounting systems will allow you to track assets, liabilities, and cash flow to an individual project as well.

Street Definition: A tool allowing you to group costs or revenues, which is the biggest secret to managing your resources well, even when you do not consider yourself a project-centric company.

Project Task / Work Breakdown Structure

Textbook Definition: Subcategories of a project used for a more detailed level of tracking revenues and expenses against a budget.

Street Definition: A categorization system for a project that everyone in the company thinks is not well thought out and doesn't capture the most important grouping of data.

Prevailing Wage

Textbook Definition: An hourly pay rate established by a regulatory agency based on a specific location or by conditions of work.

Street Definition: A compensation system that a business owner considers to be market interference and an overstepping of boundaries.

Cost Plus Billing

Textbook Definition: A billing method, typically used to bill the government, that captures the actual cost incurred, as well as allocated overhead and multiplied by a predetermined markup factor.

Street Definition: A billing method the government uses because they don't understand how to purchase something at market value.

Time & Material Billing

Textbook Definition: A billing method that calculates the amount due from a customer based on time incurred multiplied by an hourly billing rate, as well as expenses incurred multiplied by a markup factor.

Street Definition: The billing method used for your most precious resource: Your Time!

Milestone Billing

Textbook Definition: A billing method used in fixed fee projects to bill a portion of the contract value based on a completed deliverable.

Street Definition: A billing method where the customer gets to see something actually accomplished before they pay.

Project Percent Complete Revenue Recognition

Textbook Definition: A revenue recognition method that records incremental revenue based on the percentage of work that is considered complete for a project. Common measurements for calculating percent complete are:

- Labor hours incurred as a percent of budget
- Labor expense incurred as a percent of budget
- Total expense incurred as a percent of budget

Street Definition: The revenue recognition method that matches the revenue perfectly to actual expenses incurred, until, of course, your expenses exceed the budget and the revenue is fully recognized and the project is not done. Now you have expenses without any revenue which is always a fun conversation to have with the CEO! At this point, you pray the CEO is not like King Leonidas from 300 who kicks the messenger down a bottomless pit when he did not like the news.



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