

# Dictionary of 500 Most Common Bookkeeping & Accounting Terms

**The American Institute of  
Professional Bookkeepers**

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From the Executive Director...

Dear Professional Member:

This practical, plain-English “Dictionary of 500 Most Common Bookkeeping & Accounting Terms” can save you time and answer important day-to-day questions.

Here’s just a sampling of how it can help you in your profession:

- Use it when you come across an unfamiliar term in business correspondence, a financial statement, or IRS form.
- Refer to it when someone mentions an unfamiliar word or phrase you need to know.
- Check it for bookkeeping terms you have a general feel for when you need a more precise definition.
- Turn to it when a term comes up in conversation that you want to know but prefer not to ask about.

We hope you find this easy-to-use reference as useful as other professional members do.

Sincerely,

Stanley I. Hartman  
Executive Director

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- From a Declaration of Principles jointly adopted by a Committee of the American Bar Association and a Committee of Publishers.

## A

**Abandonment:** The retirement of a fixed asset from service.

**Abatement:** Complete or partial cancellation of a prospective expenditure.

**Above the Line:** A phrase used to designate a customary balance sheet or revenue-or expense item in a financial statement.

**Absorb:** To merge, by transfer, all or part of an account or group of accounts with another account so that the identity of the first is lost, as by the transfer of operating expenses from basic-expenditure accounts to work in process, or from work in process to finished stock, or from finished stock to cost of sales.

**Absorption Account:** An account offsetting, in whole or in part, one or more related accounts; the purpose is to preserve the identity of such accounts, as well as accumulate periodic transfers to other accounts.

**Absorption Costing:** The process of allocating all (full absorption costing) or a portion (direct and standard costing) of fixed and variable production costs to work-in-progress, cost of sales, and inventory.

**Accelerated Depreciation:** Depreciation at a greater than usual rate because of plant operations at more than normal speed, use, or capacity.

**Acceptance:** An agreement signed by the drawee to honor a draft.

**Accommodation Endorsement:** An endorsement by one person, without consideration, on a note or other credit instrument to which another person is a party, for the purpose of establishing or strengthening the other's credit.

**Accommodation Note (or paper):** A note signed by one person as maker, endorser, or acceptor on behalf of another whose credit standing is weak or nonexistent.

**Accommodation Purchase:** A good or service acquired by an organization on behalf of another, or for a customer or employee, usually because of superior purchasing facilities, larger discounts, or other advantage.

**Account:** Transactions that are determined to be the same and grouped under one title in the ledger.

**Account Balance:** Difference between the total debit postings and total credit postings in an account.

**Account Current:** Any personal account on which periodic settlements are made.

**Accounting Control:** The administrative procedures employed to maintain accurate and proper transactions as well as bookkeeping records.

**Accounting Period:** The customary span of time for which an operating statement is prepared.

**Accounting Principles:** The body of doctrine associated with the practice of accounting, serving as an explanation of current methods and as a guide in the selection of conventions and procedures.

**Accounting System:** The principles, methods, and procedures relating to the incurrence, classification, recording, and reporting of the transactions of an organization.

**Accounting Valuation:** The historical money amount attaching to any asset or expense, generally representing cost; money outlay at the time of acquisition.

**Accounts Payable:** Total a business owes to its creditors.

**Accounts Receivable:** A claim (amount due) from a debtor.

**Account Receivable Discounted:** An account receivable that has been assigned or sold with recourse; until paid by the debtor, the amount of the account is the seller's contingent liability.

**Account Sales:** An interim or final statement rendered by a consignee or sales agent showing particulars of sales of goods consigned, expenses incurred, commissions, and the balance, if any, due the consignor.

**Account Stated:** An account, the balance of which, as determined by the creditor, has been accepted as correct, sometimes implicitly, by the debtor.

**Accrual:** The recognition of income and expenses as they occur even if not received or paid for until later.

**Accrual Basis:** A method of accounting where all income earned and expenses incurred, prepaid or unpaid, are assigned to specific periods of time.

**Accrual Costing:** The expensing of goods and services as they are applied or consumed.

**Accrual Date:** The date through which an accrual extends.

**Accrue:** To grow; to increase; to accumulate.

**Accrued Asset:** Interest, services, or revenues earned but not received.

**Accrued Depreciation:** The total depreciation suffered by an asset or asset group, based on customary or fairly determined rates or estimates of useful life, generally referred to as accumulated depreciation.

**Accrued Dividend:** The amount of unpaid and undeclared dividend on preferred stock.

**Accrued Expenses:** Liability for expenses that have been incurred and are not paid but are payable at some future date.

**Accrued Income:** Asset arising from income earned, but not received, at a given date; also known as accrued revenue.

**Accrued Liabilities:** Liabilities incurred, but not paid, payable at some future date.

**Accrued Revenue:** Revenue earned, but neither received nor past due.

**Accumulated Depreciation:** The fixed-asset valuation account offsetting depreciation provisions.

**Accumulated Distribution:** Income received and accumulated by a trust for distribution in the future.

**Accumulated Dividend:** Dividend in arrears.

**Accumulated Income:** Net income retained and not paid out in dividends or dissipated by subsequent losses.

**Accumulation:** The periodic addition of (a) interest or other increase to the principal of a fund, (b) annual net income to retained earnings, or (c) amortized discount to an investment or obligation in order to raise the principal sum to the amount ultimately receivable or payable.

**Activity Account:** An income or expense account containing transactions over which an activity supervisor assumes responsibility and maintains control.

**Act of God:** Term used in insurance to refer to an event leading to a property loss caused by forces of nature that could not have been prevented by reasonable care or foresight; e.g., flood, lightning, earthquake, hurricane.

**Actual Cost:** Cost, as of acquisition or production, of the former net of discounts and allowances but including transportation and storage; often averaged for internal-transfer or inventory purposes.

**Actuarial Basis:** A basis compatible with principles followed by actuaries; said of computations involving matters such as compound interest, and retirement and mortality estimates.

**Actuary:** One skilled in insurance, mathematics, or statistics.

**Added Value:** Any of the segments of the selling price of a commodity or service originating in the present or a prior stage.

**Added-Value Tax:** A percentage tax on the value of a commodity or service, added at the completion of each constituent state of its production and distribution.

**Additional Mark-on:** Term in retail accounting signifying an addition to a previously established mark-on.

**Additional (paid-in) Capital:** Contributions of stockholders credited to accounts other than capital stock.

**Adjusted Basis:** The basis used in computing depreciation, or gain or loss on sales of fixed or non-inventory assets.

**Adjusted Gross Income:** The gross income of an individual, reduced by (a) business expenses [as to employees, only those specified in section 62 (2) of the Internal Revenue Code], (b) any deductions allowed for income-producing property, (c) certain losses from sales or exchanges of property, (d) self-employment expenses, and (e) moving expenses.

**Adjusted Historical Cost:** Historical cost raised to current cost by means of a price index or series of price indexes.

**Adjusting Entry:** Journal entry for the purpose of correcting a general ledger account or bringing it up to date.

**Adjustment:** Any change in an account produced by an adjusting entry.

**Administrative Budget:** A financial plan according to which an organization carries on its day-to-day affairs under the common forms of administrative management; a budget.

**Administrative Expense:** An expense incurred in the general direction of an enterprise as a whole, as contrasted with the expense of a more specific function, such as manufacturing or selling, but not including income deductions.

**Admissible Asset:** An asset which, under provisions and regulations of former excess-profits-tax laws, had been allowed as an inclusion under invested capital.

**Admitted Asset:** Insurance term signifying an asset, as determined under the laws of various jurisdictions, having a value in liquidation.

**Ad Valorem:** Designating a property tax or import or other duty computed as a percentage (rate) of the value of the property.

**Agency:** The relation between principal and agent.

**Agent:** One who represents, acts for, and accounts to another.

**All-Inclusive Income Statement:** An income statement containing all items of profit and loss given recognition during a specific period.

**Allocable:** Identifiable with two or more objects, activities, functions, or other cost objectives; said, for example, of a joint or common cost, or an overhead pool of expense accounts.

**Allocate:** To charge an item or group of items of revenue or cost to one or more objects, activities, processes, operations, or products, in accordance with cost responsibilities, benefits received, or some other readily identifiable measure of application or consumption.

**Allotment:** The administrative assignment by an agency of a part of an appropriation, allocation, or apportionment to a subdivision of the agency.

**Allotment Ledger:** A subsidiary ledger containing an account for each allotment, showing the amount allotted, expenditures, encumbrances, and unencumbered balance.

**Allowance:** Permitted tolerance in measurement, quality, or quantity of goods.

**All-Purpose Financial Statement:** A financial statement serving, as far as possible, the needs of all users.

**Amortization:** The gradual extinguishment of any amount over a period of time.

**Amortization Schedule:** A table in which computations are provided for the periodic write down until maturity of the premium paid on a bond or note.

**Amortized Cost:** Cost, less portions written off.

**Annuity:** A fixed amount of money payable yearly or at regular intervals.

Articles of Co-Partnership: Written substance of an agreement of partnership.

Assets: Resources that have monetary value.

Authorized Capital Stock: Under its charter, the maximum number of shares of stock that a corporation may issue.

## B

Bad Debt: An account that cannot be collected.

Bailment: A delivery or transfer of possession of money or personal property for a particular purpose, as on consignment or for safekeeping or repairs.

Balance Sheet: A statement of financial condition of a business at a certain date showing its assets, liabilities, and capital.

Balance-Sheet Account: An account, the amount of which, alone or in combination with others appears on a balance sheet.

Bank Discount: Advance deduction by a bank of interest on a loan.

Bank Overdraft: The amount owing to a bank by a depositor as the consequence of checks drawn by him in an amount exceeding his deposits in a commercial account.

Base Period: The span of time chosen for a standard of comparison.

Basic Cost: Outlay measured in terms of the original purchase-for-use of an item of property.

Basis: Cost, or a value employed as a substitute for cost.

Batch: A specific quantity of materials or parts composing a purchase of goods.

Batch Costing: A method of cost accounting whereby costs are accumulated by batches or runs, as in the petroleum, chemical, and rubber industries.

Below Par: At a discount; less than face value.

Below the Line: Classification for an unusual revenue or expense or an extraordinary and material nonrecurring item requiring a separate showing or grouping on a balance sheet or income statement.

Bill of Exchange: An unconditional order in writing addressed by one person to another, signed by the person giving it, requiring the person to whom it is addressed to pay on demand or at a fixed or determinable future time, a sum certain in money to order or to bearer.

Bill of Lading: Carrier's written document constituting a receipt for goods shipped as well as a contract to deliver the goods in a specific manner.

**Bill of Materials:** Document specifying the character and quantity of the materials and parts comprising a certain product.

**Bill of Sale:** A written agreement by the terms of which a person assigns or transfers his title or other interest in goods to another person.

**Blanket Insurance:** An insurance contract concerning any generic class of property; the number of items included may fluctuate from time to time.

**Board of Directors:** Persons elected by the stockholders to advise and assist management with the corporation's affairs.

**BOM:** Beginning of month.

**Bond:** An interest-bearing promise of a corporation, generally secured, to pay a fixed amount to holders at a designated future time.

**Bond Discount:** The excess of par or face value of a bond over the amount paid.

**Book Inventory:** An inventory that is not the result of actual stocktaking but of adding the units and the cost of incoming goods to previous inventory figures and deducting the units and cost of outgoing goods.

**Book of Original Entry:** A journal containing the first entry of transactions and serving as the source of posting to the ledger.

**Book Profit:** Profit as shown by the books of account before verification or audit; contrasted with "economic" profit or profit determined on some other basis.

**Boot:** Something in addition; specifically for federal income tax purposes in a property exchange that would otherwise be tax free.

**BOY:** Beginning of year.

**Breakeven Chart:** Any of several types of charts that indicate the breakeven point.

**Breakeven Point:** The volume point at which revenue and costs are equal; a combination of sales and costs that will yield a no-profit, no-loss operation.

**Bring Forward:** To inscribe the balance or the total debits and credits of an account, worksheet, or any tabular statement upon a new page or sheet or upon a cleared section of an old sheet.

## C

**C&F:** Cost and freight: a term indicating that the quoted price of an object of sale includes charges for handling and freight up to delivery to a foreign port, the purchaser assuming costs of insurance and unloading, transportation, and other costs at or from the foreign port.

**Capital:** The difference between a business owner's total assets and total liabilities; equity or investment.



**Capital Asset:** An asset intended for continued use or possession, common sub-classifications being (a) land, building and equipment, leaseholds, mineral deposits, timber preserves (fixed assets); (b) goodwill, patents, trademarks, franchises (intangibles); (c) investments in affiliated companies.

**Capital Expenditure:** An expenditure intended to benefit future periods, in contrast to a revenue expenditure, which benefits a current period; an addition to a capital asset.

**Capital Goods:** A term in economics commonly used for fixed assets, sometimes including items contributing to production for which no business outlay is required.

**Capitalize:** To record and carry forward into one or more future periods any expenditure the benefits or proceeds from which will then be realized.

**Capitalized Expense:** An item of cost usually charged to profit and loss, but, because related to a period of construction, added to a capital-asset account.

**Capital Stock:** The ownership shares of a corporation authorized by its articles of incorporation.

**Capital Surplus:** That part of the paid-in capital of a business not assigned to capital stock; i.e., contributions by stockholders in excess of par or stated value of shares.

**Carryback:** The amount, for federal income tax purposes, of the net (operating) loss for a given year of an individual, corporation, or other taxpayer carrying on a business, subject to certain adjustments, that may be deducted from the net income of three preceding years.

**Carry Down:** To transfer the balance of a two-column account that has been ruled off, usually at the close of an accounting period, to a line immediately below the ruling, the purpose being to reopen the account as a single net figure at the beginning of the next accounting period.

**Carry Forward:** To defer the classification of an item of revenue or expense as nominal until such time as the revenue is earned, or the benefit is received from the expenditure.

**Carry-Forward Working Papers:** Working papers, often a part of a permanent file, containing running analyses or summaries of fixed assets, reserves, net worth, and other accounts, the future understanding and interpretation of which are, at least in part, dependent on the auditor's accumulation of information concerning them.

**Carrying Charge:** A recurring cost incident to the possession or ownership of property, usually regarded as a current expense but occasionally added to the cost of an asset held for ultimate disposition where the market or likely disposal proceeds are judged to be sufficient to absorb the cost thus enhanced.

**Carrying Value:** The amount at which a property is recorded on the books, net of depreciation, if any; book value.

**Carryover:** The amount, for federal tax purposes, of the net (operating) loss for a given year of an individual, corporation, or other taxpayer conducting a business, subject to certain adjustments, that to the extent not absorbed as a carryback may be deducted from the taxable income of succeeding years.

**Cash Basis:** Recordkeeping method whereby notation is made only of cash received and cash disbursed.

**Cash-Disbursement Journal:** A journal in which are entered individual disbursements or blocks of disbursements as they occur.

**Cash Discount:** A deduction from the original amount owed by a customer for prompt payment of an invoice.

**Cash Flow:** A tracing, in successive steps, of individual items, or of aggregates of income or expenditure, from their first recognition in the accounts to their final disposition or loss of identity.

**Cash-Flow Statement:** A statement of cash income and outgo between two given dates, its components often identified with items appearing in balance sheets and income statements.

**Cashier's Check:** Bank draft made by a bank on its own account.

**Cash-Receipts Journal:** A journal in which cash receipts are entered chronologically.

**Cash Statement:** A statement rendered periodically, often daily, to the management, usually showing the opening and closing balances of cash on hand and in each bank, a summary of the receipts and disbursements of the period or day, and particulars of deposits and withdrawals.

**Certificate of Incorporation:** A document issued by a state establishing a corporation.

**Certified Check:** Check backed by the bank's guarantee of payment.

**Changes in Financial Position:** Differences in the sources and uses of working capital during a stated period of time.

**Charge Off:** (verb) To treat as a loss; to write off; to designate as an expense or loss an amount originally recorded as an asset.

**Chargeoff:** (noun) The elimination by a transfer to expense of a portion or all of the balance of an account in recognition of the expiration of any continuing value.

**Chart of Accounts:** Systematic arrangement of the accounts for a business, generally listed according to assets, liabilities, capital, income, cost, and expenses.

**CIF:** Cost, Insurance, and Freight; a term indicating that the quoted price of an object of sale includes charges for handling, insurance, and freight up to delivery to a foreign port, beyond which the purchaser must assume any further handling, insurance, and transportation charges.

**CIF Price:** Same as Cost & Freight price, except that the seller includes the cost of marine insurance.

**Clearing Account:** A primary account containing costs that are to be transferred to other accounts.

**Close:** (the books) To transfer the balance of revenue and expense accounts at the end of an account period directly, or through a profit-and-loss (or clearing) account, to retained earnings or to another proprietorship account or accounts, so that only balance-sheet (asset, liability, and net worth; = real) accounts remain open on the general ledger.

**Close Corporation:** A corporation with a comparatively small number of stockholders, all of whom participate in the conduct of its affairs.

**Closing Entries:** Entries made at the end of the financial period to close all temporary income, cost, and expenses and to transfer the net profit (or loss) to the capital accounts.

**Closing the Ledger:** At the end of a specific period, the procedure for closing income, cost, and expense accounts, and transferring the profit or loss to the capital accounts.

**Closing Trial Balance:** A trial balance of the general ledger at the end of a period, after eliminating the income, cost, and expense accounts.

**COD:** Cash (or Collect) on Delivery.

**Common Stock:** Stock, the ownership of which confers no special privileges; owners of such stock prevail after the company's liabilities and other proprietary claims have been satisfied.

**Comparative Balance Sheet:** Two or more balance sheets of the same organization with different dates, or of two or more organizations with the same date, customarily displayed in parallel columns to facilitate the observation of variances.

**Compensatory (or compensating) Balance:** The portion of the balance in the commercial checking account of a borrower (e.g., equal to 20% of a credit line or amount borrowed) which, under an agreement or informal understanding between borrower and bank, may not be withdrawn.

**Compound (journal) Entry:** A journal entry having three or more elements and often representing several transactions.

**Consignment:** Goods shipped for future sale; title remaining with shipper, to be sold for the account of the shipper.

**Consolidated Balance Sheet:** A balance sheet in which the assets and liabilities of a controlling company are combined with the corresponding items of the organization it owns or controls in such a manner as to disclose the financial portion of the related companies as though they were a single economic unit.

**Consolidated Financial Statement:** A statement showing financial condition or operating results of two or more associated enterprises as they would appear if they were one organization.

**Consolidated Income Statement:** A statement combining the income statements of two or more associated enterprises as a single economic unit.

**Contingent Asset:** An asset, the existence, value, and ownership of which depends upon the occurrence or nonoccurrence of a specified event or upon the performance or nonperformance of a specified act.

**Contingent Fund:** Assets set apart for use in contingencies, usually of a specified character.

**Contingent Liability:** A possible liability.

**Contra Account:** One or two or more accounts that partially or wholly offset another or other accounts: on financial statements, they may either be merged or appear together.

**Contra Entry:** An item on one side of an account that offsets, fully or in part, one or more items on the opposite side of the same account.

**Contributed Capital:** The payments in cash or property made to a corporation by its stockholders (a) in exchange for capital stock, (b) in response to an assessment on the capital stock, or (c) as a gift; paid-in capital; often, though not necessarily, equal to capital stock and paid-in surplus.

**Contribution Margin:** Marginal income.

**Controlling Account:** A general ledger account; the balance of this account equals the sum of the balances of the accounts in the subsidiary ledger.

**Controllable Cost:** Cost that varies with volume, efficiency, choice of alternatives, and management determinations generally; variable cost.

**Corporation:** An entity created to do business in a state through its charter.

**Cost and Expense Accounts:** Those accounts that record the cost of items needed for a business to manufacture, sell, or operate.

**Cost Absorption:** The expensing of an added cost, such as freight, not passed on to a customer, replacement or repair under a guarantee of quality or period of performance.

**Cost Allocation:** The transfer of the cost of a good or service or the total of a group of such costs from a primary account to one or more secondary accounts, the purpose being to identify the cost with the product or other cost objective to which the goods or services have contributed.

**Cost Basis:** The valuation basic followed in recording and reporting expenditures.

**Cost Center:** An organizational division, department, or unit of machines, manpower, or both, having common supervision.

**Cost Ledger:** A subsidiary ledger containing accounts used in computing or summarizing the cost of goods manufactured or services produced.

**Cost of Goods Purchased:** The purchase price of goods bought, plus the cost of storage, transportation, and delivery to the point where they are to be used, and other costs pertaining to their procurement and receipt.

**Cost of Sales:** The total cost of goods sold during a given accounting period, determined by ascertaining, for each item of sale, the invoice and such other costs pertaining to the item as may have been included in the cost of goods purchased.

**Cost or Market, Whichever is Lower:** The lesser of cost price or market value.

**Cost-Plus:** A term indicating a method of determining the selling price of goods produced or services performed under a contract whereby the cost of the goods or service is increased in the amount of a profit equal to an agreed increment to such cost.

**Cost-Plus Pricing:** The practice of determining selling price by adding a profit factor to costs.

**Cost Recovery:** The recapture of cost through expense recognition; cost absorption.

**Cost-Recovery Basis:** A method of accounting for the sale or other disposal of an asset whereby credits are made against the cost of the assets as proceeds of the sale or liquidation are received or realized.

**Cost Sheet:** A statement showing a summation of the elements entering into the cost of a product.

**Cost Standard:** A predetermined cost estimate, as of a product, with which actual cost performance may be compared.

**Cost System:** A system of accounts, often subsidiary to the general ledger, by means of which the cost of products, processes, or services is determined.

**Cost Unit:** The quantity or amount selected as a standard for the measurement of the cost of a given product or operation.

**Cr.:** "Credit."

**Credit:** The ability to buy or borrow in consideration of a promise to pay within a period, sometimes loosely specified, following delivery.

**Credit Line:** An agreement by a bank, usually informal and of indefinite span, to make a loan, not to exceed a specified amount, when needed by a customer.

**Credit Memorandum:** Document whereby a buyer receives notice of credit granted by the seller.

**Creditor:** One who is owed a debt of money or services.

**Creditors' Equity:** The collective amount of liabilities or amounts owing to outsiders other than stockholders.

**Creditors Ledger:** A ledger containing accounts with creditors listed.

**Credit Sale:** The delivery of goods, or the performance of a service, accompanied by the receipt of a promise to pay.

**Crosscheck:** To add horizontally as well as vertically in order to assure the accuracy of totals.

**Current Account:** A running account, usually between two related companies, reflecting the movements of cash, merchandise, and other items in either or both directions; a periodic settlement is not usually required; it may differ from an account current.

**Current Asset:** Assets that normally will be converted into cash within the year or sooner.

**Current Expenditure:** An expenditure covering a current operating cost during a given period.

**Current Expense:** An expense of a given period.

**Current Income:** Income of a given accounting period.

**Current Investment:** An expenditure for readily marketable securities having as its purpose the profitable use of cash temporarily in excess of immediate requirements; temporary investment.

**Current Liability:** The short-term debt of a business, normally payable within a year or sooner.

**Current Ratio:** Current assets divided by current liabilities.

**Customers Ledger:** A ledger containing accounts with customers listed.

## D

**Daybook:** A chronological record of business transactions day by day; a blotter; a business diary.

**Debit:** The goods or benefit received from a transaction; a bookkeeping entry or posting recording the creation of, or addition to, an asset or an expense, or the reduction or elimination of a liability, credit valuation account, or item of net worth or revenue.

**Debit Memorandum:** A document, other than an invoice, showing the reason and authority for creating a debit.

**Debit Service:** The payment of matured interest and principal.

**Decentralize:** To delegate authority to subordinate levels within an administrative hierarchy, and to fix areas of responsibility.

**Deduction:** Reasoning for which there is a necessary conclusion, i.e., a conclusion completely implied by the premises.

**Deferred Expense:** Prepaid expense for items not used all at once; e.g., insurance.

**Deferred Income:** Income received in one period and not earned until a later period, e.g., subscription revenue.

**Deferred Income Tax:** Estimated income tax on the excess of net revenues, recognized for accounting purposes, over that reported for tax purposes.

**Deferred Liability:** A debt, the payment of which is deferred beyond a legal or customary date; e.g., a deferred tax.

**Deferred Payment Sale:** An installment sale.

**Deficiency Account:** (or statement) A statement account for an estimated or accrual loss to creditors and owners, usually prepared by creditors of a financially embarrassed debtor in connection with a statement of affairs in the course of bankruptcy proceedings or at the close of an investigation.

**Deficit:** Debit balance occurring when losses exceed income.

**Deficit Account:** A ledger account for a deficit; an earned-surplus account with a debit balance.

**Demand Deposit:** A deposit in a financial institution, such as a bank, that may be withdrawn without notice; a commercial checking account.

**Depleted Cost:** Residual cost after deducting accrued depletion. The term is applied to mineral, coal, oil, natural-gas, and timber properties.

**Depletion:** The exhaustion of a natural resource: applied to an oil or mineral deposit, standing timber, and the like.

**Depreciation:** Wear and tear of a fixed asset which decreases its value.

**Depreciation Expense:** That portion of the cost or other basis of a fixed asset or fixed-asset group charge against the operations of an accounting period.

**Depreciation Rate:** A percentage that when applied to the depreciation base, will yield depreciation expense for a year.

**Detailed Audit:** An examination of the books of account or a portion thereof, whereby all or substantially all entries and transactions are reviewed and verified, as contrasted with the more usual examination by means of tests or samples.

**Differential Cost:** Marginal cost; see incremental cost.

**Direct Cost:** The cost of any good or service that contributes to and is readily ascribable to product or service output, any other cost incurred being regarded as a fixed or period cost.

**Direct Costing:** The process of assigning costs as they are incurred to products and services.

**Direct Labor:** Labor costs specifically traceable to the product.

**Direct Overhead:** Factory, selling, or other expense attributed solely to a certain product, and thus constituting a direct cost.

**Disclosure:** An explanation, or exhibit, attached to a financial statement, or embodied in a report (e.g., an auditor's) containing a fact, opinion, or detail required or helpful in the interpretation of the statement or report; an expanded heading or a footnote.

**Discount on Sales or Purchases:** An allowance given for the settlement of a debt before it is due.

**Discount Lost:** A cash discount on a purchase, not taken advantage of because of failure to pay before the expiration of the discount period.

Distort: To create a false impression or give a limited perspective.

Dividend: Profit distribution to stockholders.

Double-Entry Bookkeeping: A system of recording each business transaction by means of a two-way, self-balancing entry.

Dr.: debit.

Draft: A written order by one party ordering a second party to pay a third party.

Drop Shipment: A shipment from a manufacturer or supplier sent directly to the customer of a distributor or other supplier without passing through the hands of the latter.

## E

Earned Income: Income derived from personal services rendered as distinct from other kinds of income.

Earned Surplus: Recording of accumulated profits of a corporation in an account.

Earnings Per Share: (of common stock) Net income of a stated period, less preferred-stock requirements, divided by the number of common shares outstanding at the end of the period.

Earnings Statement: Income statement; any analysis or presentation of earnings in statement form.

Effective Pay Rate: The rate of pay (e.g., weekly) determined after adding back deductions from basic pay (e.g., withholding and Social Security taxes) and including insurance and other fringe benefits not deducted from basic pay.

Efficiency Variance: A variance resulting from causes other than a change in the price or direct costs or of materials or labor.

Embezzlement: To appropriate fraudulently to one's own use, as money or property entrusted to one's possession.

Employee Liabilities: Bonuses, deferred compensation, pension, retirement grants or other amounts held for eventual payments to employees of cash or capital stock, often appearing on balance sheets between long-term obligations and stockholders' equity.

Encumbrance: Term in governmental accounting to designate an anticipated expenditure, evidenced by a contract or purchase order, or determined by administrative action.

Entity: A division of the activities of a natural person, partnership, corporation, or other organization, separate and complete in form, usually distinguished from a larger identity such as a head office, controlling corporation, or other more inclusive economic unit; an establishment.

Entry: Item in a recording of a business transaction.



EOM: End of Month.

EOY: End of Year.

Equity: Any right or claim to assets; a liability

Equity Capital: Proprietorship; net worth; stockholders' equity.

Equity Financing: The sale of capital stock by a corporation for cash or items of value.

Exchange Gain (or loss): The net result in local currency of any completed deal in foreign currency.

Executory Lease: An obligation calling for the payment of rentals of real or personal property over a period of one year.

Exemption: In federal income taxes, a deduction from gross income allowed an individual, in the nature of a specific minimum or token amount, for his own support and that of his family.

Expected Life: Expected value of length of life or years of services of an asset or asset group at a particular moment of time.

Expenditure: The incurring of a liability, the payment of cash, or the transfer of property for the purpose of acquiring an asset or service or settling a loss.

Expense: Expenditure for operating cost of a present or past period.

Extraordinary Depreciation: Depreciation caused by unusual wear and tear, unexpected disintegration, obsolescence, or inadequacy beyond that attributable to ordinary loss of physical or service life.

Extraordinary Expense: An expense so unusual in type or amount as to be accorded special treatment in the accounts or separate disclosure in financial statements.

## F

Face Amount: The sum of money on a check, bond, note, or other instrument.

Factor: One who buys trade receivables with or without recourse, his profit coming from a commission, such as a fraction of one percent, and from interest on advances against receivables.

Factory Cost: Manufacturing cost.

Factory Expense: An item of manufacturing cost other than raw material and direct labor.

Factor Ledger: A subsidiary ledger containing such operating costs of a manufacturing establishment as materials, labor, and factory overhead.

Fair Market Value: Value determined by bona fide bargaining between well-informed buyers and sellers, usually over a period of time.

**Fair Value:** Reasonable or equitable value; the legal concept of value on which an investor is entitled to a “fair return.”

**Fiduciary:** Any person responsible for the custody or administration, or both, of property belonging to another; as, a trustee.

**Fiduciary Accounting:** The preparation and keeping of accounts for property in the hands of a trustee, executor, or administrator, whether under the direct jurisdiction of a court or by virtue of a private deed of trust or other instrument of appointment.

**FIFO:** First in, first out, term used in costing of inventory; oldest acquisitions are disposed of first.

**Financial Accounting Standards Board (FASB):** A quasi-independent organization established in 1973 by the AICPA-Sponsored Financial Accounting Foundation for the purpose of developing principles for financial reporting by business enterprise.

**Financial Statement:** A representation of financial data at a specific period of time.

**Finished Goods:** Goods that have been converted from raw materials into the form in which they can be used or sold.

**First In, First Out (FIFO):** The inventory that is acquired earliest is assumed to be used first; the inventory acquired latest is assumed to be still on hand.

**Fiscal Period:** Accounting period.

**Fiscal Year:** Period of a year that is not a calendar year (not ending in December).

**Fixed Assets:** Assets with a useful life of more than one year.

**Fixed-Asset Schedule:** A summary, by classes, of fixed assets, such as that sometimes appearing in annual reports to stockholders.

**Fixed Charges:** Unavoidable overhead, particularly interest costs, depreciation, amortization of intangibles and of discount on funded debt, and rent of leased property.

**Fixed Cost (or expense):** An operating expense, or operating expense as a class, that does not vary with business volume.

**Fixed Liability:** Long-term liability.

**Flexible Budget:** A budget containing alternative provisions based on varying rates of production or other measures of activity.

**Floating Asset:** Current asset.

**Floating Debt:** Current or short-term obligations; current liabilities.

**Floating Liability:** Current liability; floating debt.

F.O.B: Free on board.

F.O.B. Price: The price charged at a specific location.

Folio: A reference to a page number for the source of an entry or posting.

Footnote: (appended to a financial statement) A medium for imparting additional information, usually a narrative, indexed to a particular item.

Forward Accounting: The areas of interest in the preparation of standard costs, budgeted costs and revenues, estimates of cash requirements, breakeven charts, and projected financial statements – and the various studies required for their estimation; also the internal controls regulating and safeguarding future operations. Also, permission granted by a manufacturer to a distributor or retailer to sell his products.

Franchise: A privilege, granted by governmental authority, sanctioning a monopoly or permitting the use of public property, usually subject to regulation.

Freight: A charge by a carrier for the transportation of goods.

Freight Absorption: The practice of a seller of not charging the customer with freight out.

Freight-In: Freight paid on incoming shipments, treated as an element of cost of goods or materials received, or refunded by the seller or deducted on his invoice, according to custom or the terms of sale.

Full Absorption Costing: The inclusion of all fixed and variable production costs in work-in-progress and output costs; contrasts with direct costing.

Fund: An asset or group of assets within any organization, separated physically or in the accounts or both from other assets and limited to specific uses.

Fund Accounting: In governmental and institutional accounting in terms of a sum of money and, often, other assets as well, constituting a separate accounting entity, created and maintained for a particular purpose and having transactions subject to legal or administrative restrictions.

## G

GAAP: Generally accepted accounting principles.

Gain: Any pecuniary benefit, profit, or advantage, as opposed to a loss; revenue or income; as in the phrase “gain or loss.”

Gain or Loss: The net result of a concluded transaction or group of transactions or the transactions of an operating period, following the application of usual accounting rules or rules appearing in income tax regulations.

General expense (or burden): Administrative expense.

General Journal: Records used for recording business transactions.

General Ledger: Summarized accounts; all the transactions of a business.

Going Concern: Any enterprise that is expected to continue operating indefinitely in the future; hence, its collective assets, liabilities, revenues, operating cost, personnel, policies, and prospects; a basic axiom essential to the accounting and reporting of business transactions.

Goods and Services: The end products of expenditures; the initial distribution of incurred costs.

Goods in Process: Partly finished goods.

Goodwill: The gross value of a business exceeding the book value.

Governmental Accounting: The principles, customs, and procedures associated with the accounting for municipal, state, and national governmental units.

Gross: Undiminished by related deductions, except corrections; applied to sales, revenues, income, expense, and the like.

Gross Book Value: The dollar amount at which an asset appears on the books, before deducting any applicable accumulated depreciation or other valuation account.

Gross Earnings: Gross income.

Gross Income: Revenues before deducting any expenses; an expression employed in accounting for individuals, financial institutions and the like.

Gross Loss: The excess of the cost of goods sold over the amount of sales; "negative" gross profit.

Gross Margin: The excess of sales over direct costs of products sold.

Gross (merchandise) Margin: Retail accounting term signifying net sales, less merchandise costs.

Gross Profit: Net sales less cost of goods sold.

Gross Revenue: Gross sales.

Gross Sales: Total sales, before deducting returns and allowances but after deducting corrections and trade discounts, sales taxes, excise taxes based on sales, and sometimes cash discounts.

Guarantor: One who promises to make good if another fails to pay or otherwise perform an assigned or contractual task.

## H

**Historical Cost:** Cost to the present owner at the time of acquisition.

**Holding Period:** In federal income taxes, the period during which an asset is owned; a period of importance in the determination of whether sales of securities are wash (-sale) transactions and whether profits from the sale of capital assets are to be taxed as long-term or short-term capital gains.

**Honor:** To accept a monetary instrument when it is presented for payment.

## I

**Imprest Cash Fund:** A petty cash fund restored to its beginning amount by a transfer from the general cash account of an amount equal to the sum of disbursements.

**Imputed Interest:** The return on capital assumed to be a part of the net income of an enterprise.

**Income:** Money or money equivalent earned or accrued during an accounting period, increasing the total of previously existing net assets, and arising from sales and rentals of any type of goods or services, commissions, interest, gifts, recoveries from damage, and windfalls from any outside source; a generic term.

**Income Account:** Any account maintained for a particular item of revenue or income.

**Income Statement:** A summary of the revenues and expenses of an accounting unit, or group of such units, for a specified period.

**Incremental Cost:** The change in aggregate cost that accompanies the addition or subtraction of a unit of output, or a change in factors affecting cost, such as style, size, or area of distribution; marginal cost.

**Incurred Cost:** A cost arising from cash paid out or obligation to pay for an acquired asset or service, a loss from any cause that has been sustained and has been or must be paid for.

**Indebtedness:** A debt owing; any liability; an aggregate of liabilities.

**Indirect Cost:** A functional cost not attributed to the production of a specified good or service but to an activity associated with production generally; a variety of factory costs, such as supervision, building depreciation, maintenance, heat and light, and general administrative and selling expense.

**Indirect Expense:** Indirect cost; manufacturing cost; overhead.

**Indirect Labor:** Labor not directly applicable to the manufacture of goods.

**Indirect Liability:** An obligation not yet incurred but for which responsibility may have to be assumed in the future; e.g., possible liability from the premature settlement of a long-term contract.

**Indirect Material:** Materials not entering directly into a product; the cost of such material.

**Indorsement:** The payee's name signed on the back of a negotiable instrument.

**In Short:** In an adjacent and subordinate column, usually at the left: said of supporting details for which a total appears in any accounting or statistical schedule or table.

**Installment:** Any part payment on a debt.

**Installment Method of Accounting:** A method of recording revenue from an installment sale whereby the gross profit from the sale is recognized in any fiscal year in proportion to the portion of the total selling price collected in cash during that year.

**Installment Sale:** A sale of real or personal property paid for in a series of equal amounts over a period of weeks or months.

**Insurance Premium:** The amount paid to an insurance company for protection against certain losses.

**Intangible:** Any “two-dimensional” or “incorporeal” asset; any asset other than cash or real estate; in this sense used by some tax authorities.

**Intangible Value:** The value of an enterprise in its entirety, as a going concern, in excess of the value of its net tangible assets.

**Interest:** The charge made for the privilege of using borrowed money.

**Internal Control:** The general methodology by which management is carried on within an organization; also, any of the numerous devices for supervising and directing an operation or operations generally.

**Inventory:** Raw materials and supplies, goods finished and in process of manufacture, and merchandise on hand, in transit and owned, in storage, or consigned to others at the end of an accounting period.

**Inventory Control:** The control of merchandise, materials, goods in process, finished goods, and supplies on hand by accounting and physical methods.

**Inventory Turnover:** The number of times that the investment in merchandise or stocks on hand is replaced during a stated period, usually 12 months.

**Inventory Valuation:** The determination of the cost or the portion of cost assignable to on-hand raw materials, goods in process, finished stock, merchandise held for resale, and supplies.

**Invoice:** A document stating the quantity, price, terms, and other particulars of goods or services sold.

**Issued Capital (stock):** That part of a corporation’s authorized capital stock represented by certificates legally issued for cash or other consideration, whether or not such certificates are in the hands of the public or have been reacquired by the issuer.

## J

**Joint Tenant:** Any one or two or more persons who together own real or personal property, whereby, upon the death of any one of them, the interest of the deceased person passes to the other joint tenant(s) without becoming a part of the estate of the deceased person.

**Journal:** Chronological record of business transactions.

**Journal Entry:** Recording of a business transaction.

## L

**Lapse:** To expire or be forfeited; said of an insurance policy and the rights and benefits under it, upon expiration of the policy or upon cancellation for nonpayment of premium.

**Legal Liability:** A responsibility for some obligation, enforceable as law, as distinguished from a moral responsibility.

**Letter of Credit:** Authorization by a bank to draw on it for funds, within a stated amount and time.

**Liability:** An amount owed by one person (debtor) to another person (or creditor).

**Liability Services:** Accrued liability.

**Life Annuity:** An annuity the payment of which ceases on the death of the beneficiary.

**LIFO:** Last in, first out; an inventory valuation method.

**Limited-Life Asset:** Any capital asset.

**Limited Partnership:** A partnership in which one or more partners have a restricted liability to creditors of the partnership.

**Line of Credit:** Credit line. A maximum credit amount allowed a buyer or borrower.

**Liquid Assets:** Current assets or assets that can be quickly converted to cash.

**Liquidation:** Payment of debt.

**List Price:** The published price.

**Long-Term Debt:** Term on balance sheet signifying debt due after one year.

**Long-Term Liability:** An obligation that will not become due until after a period of time, usually a year.

**Lump-Sum Purchase:** The acquisition of a group of assets for an indicated figure, without breakdown by individual assets or classes of assets.

## M

**Manufacturing Expenses:** All costs of manufacturing, not including raw materials and labor costs.

**Margin:** Gross profit.

**Marginal Balance:** The excess of revenue over variable cost.

**Marginal Cost:** The increase or decrease in total cost which occurs with a small variation in output.

**Marginal Income:** The excess of sales over related direct costs; the contribution of revenues to other costs and profit.

**Marketable Securities:** A balance-sheet title for negotiable stocks, bonds, and Treasury securities carried as a current asset.

**Matching:** The principle of identifying related revenues and expenses within the same accounting period.

**Materiality:** The relative importance, when measured against a standard of comparison, of any item included in or omitted from books of account or financial statements, or of any procedure or change in procedure that conceivably might affect such statements.

**Maturity Date:** Due date of an obligation.

**Merchandise Inventory:** List of goods on hand.

**Merchandise Turnover:** Frequency at which the inventory is sold during the financial period.

**Mortgage Bond:** One of an issue of bonds secured by a mortgage against specific properties of the issuer.

## N

**Negotiability:** State whereby a negotiable investment may be transferred from one person to another.

**Negotiable Instrument:** A written promise in the form of a note or draft, specifying that a sum of money will be paid at a specific time to a specific person.

**Net Book Value:** The difference between the gross amount of an asset or asset group as shown in the books of account and any reserve or other applicable offset, such as accumulated depreciations. See book value.

**Net Operating Profit:** Operating income.

**Net Profit:** Net revenue minus expenses and costs.

**Net Sales:** Gross sales minus returns and allowances.



**Net Worth:** The total appearing on the accounting records of the equities representing proprietary interests. The going-concern value of assets over liabilities.

**No-Par Value Stock:** Stock that has no par or nominal value.

**Noncumulative Dividend:** A dividend on preferred stock, that if passed, does not have to be made up at a later date.

**Non-Par-Value Capital Stock:** Capital stock having no specified par or nominal value.

**Note Register:** Ledger containing a record of notes receivable and notes payable.

## O

**Offset:** An amount equaling or counter-balancing another amount on the opposite side of the account or statement.

**Offset Account:** An account acting as an offset, in whole or in part, to another account; an absorption account.

**On Consignment:** Consigned to another for the purpose of sale, display, or other use.

**Opening Entry:** At the time books are opened, entries made to record the present assets, liabilities, and capital of a business.

**Operating Expenses:** The expenses a business incurs in its operation.

**Operating Ledger:** A ledger containing only nominal accounts.

**Opportunity Cost:** Prospective change in cost following the adoption of an alternative machine, process, raw material, specification, or operation.

**Original Cost:** Primary cost.

**Overhead:** Any cost of doing business other than a direct cost of an output of product or service.

**Overhead Pool:** A group of indirect costs the total of which are figured by any of various methods, that is or may be spread over intermediate and final-product stages of production.

**Overhead Rate:** A standard rate at which overhead is allocated.

**Owner's Equity:** Net worth.

## P

**Paid-In Surplus:** An excess over par or stated value received from the sale or exchange of capital stock.

**Paid-Up Capital:** The amount of money received from stockholders for capital stock issued, equivalent to the total of the par or stated value.

**Par Value:** The face amount of capital stock or other securities when issued.

**Partnership:** Arrangement whereby two or more people or entities merge forces so that each will benefit, with profits and losses shared jointly.

**Period Cost (or charge or expense):** Any expenditure assigned to expense on a time basis.

**Perpetual Budget:** Continuous budget.

**Perpetual Inventory:** A book inventory kept in continuous agreement with stock on hand by means of a detailed record that may also serve as a subsidiary ledger where dollar amounts as well as physical quantities are maintained.

**Personal Holding Company:** Term in federal income taxes specifying a corporation, popularly known as an "incorporated pocketbook," a majority of the outstanding capital stock of which is owned by a small group of persons.

**Petty Cash Fund:** Cash used for small out-of-pocket expenses.

**Physical Inventory:** Merchandise on hand, determined by actual count, weight, or measurement.

**Pledged Asset:** An asset placed in trust or mortgaged to secure an obligation or contract.

**Post Closing Balance Sheet:** A balance sheet, the details of which are supported by the open balances of the general ledger accounts at the end of a fiscal year, after year-end, and audit adjustments have been recorded and revenue and expense (nominal) accounts have been closed out.

**Post Closing Trial Balance:** Trial balance as determined upon closing the ledger.

**Posting:** Transferring entries from journals to ledgers.

**Power of Attorney:** An instrument authorizing one person to act as agent for another, either generally or for some specified purpose.

**Preclosing Trial Balance:** A trial balance prepared before giving effect to final adjusting and closing entries.

**Preferred Stock:** Type of stock that takes precedence over common stock when dividends are distributed in case of dissolution.

**Preferred (Stock) Dividend:** Dividend paid to holders of preferred stock.

**Premium on Bonds and Capital Stock:** The price paid for capital stock or bonds in excess of the par face or stated value.

**Premium on Capital Stock:** The amount in excess of par or stated value received by an issuing corporation for its capital stock; paid-in surplus.

**Prepaid Expense:** A type of deferred charge.

**Prepaid Income:** Deferred revenue.

**Prepaid Interest:** The excess of the face value of a loan over the proceeds of the loan.

**Price Margin:** Gross margin.

**Price Variance:** Change in the price of materials or labor.

**Prime Rate:** The rate of interest charged by commercial banks on loans to preferred customers.

**Principal:** A sum of money borrowed on which interest is calculated.

**Proceeds:** The amount of cash, other assets, and services received from the sale or other disposition of property.

**Processing Cost:** Manufacturing cost.

**Proforma:** A term applied to a balance sheet or other statement that contains assumed figures and facts. Proformas are used for budgeting and making business decisions.

**Profit and Loss Statement:** The difference between income and expenses of a business for a period and the profit (or loss) resulting therefrom.

**Promissory Note:** A written promise to pay a certain sum of money on a specified date.

## R

**Raw Materials:** Component part of finished goods.

**Real Account:** A ledger account, the balance of which is carried forward into a succeeding fiscal period.

**Realized Depreciation:** Recapture of depreciation.

**Receivable:** Collectible, whether or not due.

**Receiver:** A person appointed by a court to take charge of property pending its disposition.

**Reconciliation of Bank Statement:** The process of balancing and accounting for the difference between the bank balance, and the balance shown by the depositor's records.

Recovery Cost (or expenditure): Residual cost.

Repurchased Stock: Reacquired capital stock that has been bought from stockholders.

Reserve for Bad Debts: An account set up on the books to record amounts charged to earnings against which actual bad debt losses are to be charged.

Reserve for Depreciation: Record of the accumulation of periodic depreciation charges.

Residual Cost: Recoverable cost of an asset.

Retail Method: A method of maintaining a book inventory by which the cost of sales and inventories of department stores and other retail stores are determined at the close of intermediate accounting periods without a physical stocktaking.

Revenue Bond: Term in municipal accounting specifying one of an issue of bonds by a governmental unit for the purpose of financing the construction or purchase of, or additions to, income-producing enterprises.

Reversal Entries: General journal entries made at the beginning of a new fiscal period to reverse entries for deferrals and accruals made at the close of the preceding fiscal period, in order that income and expense accounts affected may reflect the actual income and expense for the current fiscal period.

## S

Sale Value: The price at which an asset of any kind can be sold, less whatever cost is yet to be incurred.

Scrap Value: Salvage worth.

Secured Creditor: A person whose claim against another is protected by collateral or by a mortgage or other lien.

Share: One of the units of equal value into which each class of the capital stock of a corporation is divided.

Sight Draft: A draft to be paid at the time it is presented to the drawee.

Sole Proprietorship: A business owned by one person.

Special Journals: Specific journals such as a sales journal, purchase journal, or cash receipts journal that are used to record only those types of transactions.

Spread Sheet: A worksheet providing a two-way analysis or recapitulation of costs or other accounting data.

Standard Cost (cost accounting): A forecast or predetermination of what actual costs should be under projected conditions, serving as a basis of cost control and as a measure of productive efficiency.

Statement of Account: Summary of transactions between seller and buyer, reporting the unpaid balance at that time period.

**Stock:** Shares issued by a corporation, evidenced by formal certificates representing ownership in the corporation. The total amount of shares is known as the Capital Stock of the corporation.

**Stock Certificate:** Document of evidence of ownership in a corporation.

**Stockholder:** The owner of shares of the capital stock of a corporation.

**Subsidiary Ledger:** Supporting ledger consisting of a group of similar accounts, the total of which is in agreement with a controlling account in the general ledger.

**Surplus Reserve:** Part of the surplus set aside for some specific purpose; restricted retained earnings.

## T

**T-Account:** A form of account often used for demonstrating the effect of a transaction or series of transactions, or for solving short accounting problems.

**Tangible Assets:** Physical assets; assets other than intangibles.

**Terms:** Conditions of payment.

**Time Draft:** A draft payable within a specified time period.

**Trade Acceptance:** The sale of goods on terms drawn by the seller and accepted by the purchaser.

**Trade Discount:** A discount from a list price.

**Treasury Stock:** Capital stock reacquired by the issuing corporation.

**Trial Balance:** A list of all open account balances in the ledger and their balances which may be prepared at any time.

## U

**Unrecovered Costs:** Uninsured losses resulting from extraordinary obsolescence, fire, theft, or market fluctuations.

**Useful Life:** Normal operating life span.

## V

**Voucher:** Written evidence of a payment or entry.

**Voucher System:** A system for recording every payment including merchandise, services, supplies and fixed assets by preparing vouchers for each payment to be signed by an authorized person.

## W

**Working Capital:** Capital currently used to operate the business. The excess of current assets over current liabilities.

**Work Sheet:** The collection and classification of data used in preparing financial statements.

**Write Down:** To transfer a part of the balance of an asset account to an expense account or to profit and loss.

**Write Off:** To transfer the balance of an account previously regarded as an asset to an expense account or profit and loss.

**Write Up:** To record an increase in the book value of an asset, not represented by an outlay of cash or other property or an inflow of capital.