Accounting Basics

(Flashcards: Single-sided)

Instructions: Print this PDF file and cut out the flashcards below. The terms can be handwritten on the blank side of each card. (The terms/answers are found at the end of this file.)

This method reports revenues when *cash is received* (as opposed to when the revenues are earned) and reports expenses when they are *paid* (as opposed to when they occur).

A1

This method reports revenues when they are *earned* (as opposed to when the cash is received) and reports expenses when they *occur* (as opposed to when they are paid).

A2

This is the allocation of a plant asset's cost to expense over the asset's useful life. The purpose is to match the asset's cost to the years that benefit from its use.

A3

This asset is part of *property, plant and equipment* but it is not depreciated.

A4

This financial statement reports a company's financial position as of a moment of time. It reports the assets, liabilities and stockholders' (or owner's) equity.

A5

This financial statement reports a corporation's *profitability* for a specified period of time. It reports revenues, expenses, gains, losses, and the resulting net income. Also referred to as the P&L.

A6

This basic underlying principle requires a transaction to be recorded at its cash value at the time of the transaction. It also prevents reporting the increases in the market value of property.

A7

Under the accrual method, these are reported on the income statement when they are *earned*. Sales and fees earned are examples.

A8

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Under the accrual method, these costs are reported on the income statement when they have been used up in the process of earning revenues. A9	These are a company's resources that have future economic value which can be measured in the company's currency. Prepaid expenses are one of these. A10
These are the obligations of a company and are one of the main elements of the balance sheet and accounting equation. Deferred revenues are one of these. A11	The total amount for this section of a corporation's balance sheet is the amount of assets minus liabilities. It reports the corporation's paid-in capital, retained earnings, and any deduction for treasury stock. It is also the total amount of the corporation's book value. A12
This algebraic expression is *assets = liabilities + owner's (or stockholders') equity*. It should remain in balance under the double-entry system. A13	This term indicates the left side of a general ledger account. It is also the normal balance for asset, expense, and loss accounts. A14
This term indicates the right side of a general ledger account. It is also the normal balance for liability, stockholders' equity, revenue, and gain accounts. A15	Under this system every transaction will result in an amount recorded in at least two general ledger accounts. It also requires that the amounts recorded as debits must be equal to the amounts recorded as credits. A16

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This listing of the general ledger accounts does not include the account balances or other amounts. A17	This financial statement reports the major changes in a corporation's cash and cash equivalents. Amounts are grouped according to operating, investing, and financing activities. A18
This amount is required to appear on the income statement of a publicly traded corporation. It uses the weighted average number of shares of common stock outstanding. A19	This amount is an asset's cost minus its accumulated depreciation. It is also the face value of bonds minus its unamortized discount (or plus its unamortized premium). It is also the amount of a corporation's stockholders' equity. A20
This is defined as a company's cash and other resources that are expected to turn to cash within one year of the balance sheet date (or within the operating cycle if the operating cycle is longer than one year). A21	This is the remainder after subtracting the *cost of goods sold* from *net sales*. A22
These are an integral part of the financial statements and are required by the full disclosure principle. They include the company's significant accounting policies. A23	These are a company's operating expenses other than the cost of goods sold. They are also period costs (as opposed to product costs). A24

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This basic underlying accounting principle requires that some expenses and liabilities be accrued or deferred. A25	This current asset is the cost of a merchant's or manufacturer's goods held for sale. A26

Terms/Answers

A1. **cash method of accounting** (or) **cash basis of accounting**

A2. **accrual method of accounting** (or) **accrual basis of accounting**

A3. **depreciation**

A4. **land**

A5. **balance sheet** (or) **statement of financial position**

A6. **income statement** (or) **statement of earnings** (or) **statement of operations**

A7. **cost principle** (or) **historical cost principle**

A8. **revenues**

A9. **expenses**

A10. **assets**

A11. **liabilities**

A12. **stockholders' equity** (or) **shareholders' equity**

A13. **accounting equation** (or) **bookkeeping equation**

A14. **debit**

A15. **credit**

A16. **double-entry accounting** (or) **double-entry bookkeeping**

A17. **chart of accounts**

A18. **cash flow statement** (or) **statement of cash flows**

A19. **earnings per share** (or) **EPS**

A20. **book value** (or) **carrying value**

A21. **current assets**

A22. **gross profit** (or) **gross margin**

A23. **notes to the financial statements**

Terms/Answers

A24. **SG&A** (or) **selling, general and administrative**

A25. **matching principle**

A26. **inventory**