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Dictionary of
Accounting

Fourth edition

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Preface

This dictionary provides a basic vocabulary of terms used in accounting, from personal finance and investments to company accounts, balance sheets and stock valuations. It is ideal for students of accounting and for anyone who needs to check the meaning of an accountancy term, from people working in businesses who may not be professional accountants to translators or those for whom English is an additional language.

Each headword is explained in clear, straightforward English and examples are given to show how the word may be used in context. There are also quotations from newspapers and specialist magazines. Sample documents and financial statements are also provided.

Thanks are due to Hannah Gray and Sarah Williams for their invaluable help and advice during the production of this new edition.

Pronunciation

The following symbols have been used to show the pronunciation of the main words in the dictionary.

Stress has been indicated by a main stress mark (') and a secondary stress mark (,). Note that these are only guides, as the stress of the word changes according to its position in the sentence.

Vowels

æ	back
ɑ:	harm
ɒ	stop
aɪ	type
aʊ	how
aɪə	hire
aʊə	hour
ɔ:	course
ɔɪ	annoy
e	head
eə	fair
eɪ	make
eʊ	go
ɜ:	word
i:	keep
ɪ	happy
ə	about
ɪ	fit
ɪə	near
u	annual
u:	pool
ʊ	book
ʊə	tour
ʌ	shut

Consonants

b	buck
d	dead
ð	other
dʒ	jump
f	fare
g	gold
h	head
j	yellow
k	cab
l	leave
m	mix
n	nil
ŋ	sing
p	print
r	rest
s	save
ʃ	shop
t	take
tʃ	change
θ	theft
v	value
w	work
x	loch
ʒ	measure
z	zone

A

AAA *abbreviation* American Accounting Association

AAPA *abbreviation* Association of Authorised Public Accountants

AARF *abbreviation* Australian Accounting Research Foundation

AAT *abbreviation* Association of Accounting Technicians

abacus /'æbəkəs/ *noun* a counting device consisting of parallel rods strung with beads, still widely used for business and accounting in China and Japan

abandonment /ə'bændənmənt/ *noun* an act of giving up voluntarily something that you own, such as an option or the right to a property □ **abandonment of a claim** giving up a claim in a civil action

abatement /ə'beɪtmənt/ *noun* a reduction in a payment, e.g., if a company's or individual's total assets are insufficient to cover their debts or legacies

ABB *abbreviation* activity-based budgeting

abbreviated accounts /ə,bri:vɪɪtɪd ə'kaʊnts/ *plural noun* a shortened version of a company's annual accounts that a small or medium sized company can file with the Registrar of Companies, instead of a full version

ABC *abbreviation* activity-based costing

ab initio /,æb ɪ'nɪʃɪəʊ/ *phrase* a Latin phrase meaning 'from the beginning'

ABM *abbreviation* activity-based management

abnormal gain /æb,nɔ:m(ə)l 'geɪn/ *noun* any reduction in the volume of process loss below that set by the normal loss allowance. Abnormal gains are generally costed as though they were completed products.

abnormal loss /æb,nɔ:m(ə)l 'lɒs/ *noun* any losses which exceed the normal loss allowance. Abnormal losses are generally costed as though they were completed products.

abnormal spoilage /æb,nɔ:m(ə)l 'spɔɪlɪdʒ/ *noun* spoilage that contributes to an **abnormal loss**

above par /ə,bʌv 'pɑː/ *adjective* referring to a share with a market price higher than its face value

above-the-line /ə,bʌv ðə 'laɪn/ *adjective, adverb* **1.** used to describe entries in a company's profit and loss accounts that appear above the line which separates entries showing the origin of the funds that have contributed to the profit or loss from those that relate to its distribution. Exceptional and extraordinary items appear above the line. ○ *Exceptional items are noted above the line in company accounts.* †

below-the-line **2.** relating to revenue items in a government budget

abridged accounts /ə,bri:dʒd ə'kaʊnts/ *plural noun* financial statements produced by a company that fall outside the requirements stipulated in the Companies Act

absorb /əb'zɔ:b/ *verb* **1.** to take in a small item so that it forms part of a larger one □ **a business which has been absorbed by a competitor** a small business which has been made part of a larger one **2.** to assign an overhead to a particular cost centre in a company's production accounts so that its identity becomes lost. † **absorption costing**

absorbed overhead /əb,zɔ:bd 'əʊvəhed/ *noun* an overhead attached to products or services by means of **overhead absorption rates**

absorption /əb'zɔ:pʃən/ *noun* the process of making a smaller business part of a larger one, so that the smaller company in effect no longer exists

absorption costing /əb'zɔ:pʃən ,kɒstɪŋ/ *noun* **1.** a form of costing for a product that includes both the direct costs of production and the indirect overhead costs as well **2.** an accounting practice in which fixed and variable costs of production are absorbed by different cost centres. Providing all the products or services can be sold at

a price that covers the allocated costs, this method ensures that both fixed and variable costs are recovered in full. \diamond **marginal costing**

absorption rate /əb'zɔ:pʃən ,reɪt/ *noun* a rate at which overhead costs are absorbed into each unit of production

abstract /'æbstrækt/ *noun* a short form of a report or document \circ to make an abstract of the company accounts

abusive tax shelter /ə,bju:sɪv 'tæks ,ʃeltə/ *noun* a tax shelter used illegally in order to avoid or reduce tax payments

Academy of Accounting Historians /ə,kædəmɪ əv ə'kaʊntɪŋ hɪ,stɔ:riənz/ *noun* a US organisation, founded in 1973, that promotes the study of the history of accounting

ACAUS *abbreviation* Association of Chartered Accountants in the United States

ACCA *abbreviation* Association of Chartered Certified Accountants

accelerate /ək'seləreɪt/ *verb* to reduce the amount of time before a maturity date

accelerated cost recovery system /æk,selrəreɪtɪd 'kɒst rɪ,kʌvəri ,sɪstəm/ *noun* a system used in the United States for calculating depreciation in a way that reduces tax liability

accelerated depreciation /ək ,seləreɪtɪd dɪprɪ:'eɪʃ(ə)n/ *noun* a system of depreciation which reduces the value of assets at a high rate in the early years to encourage companies, as a result of tax advantages, to invest in new equipment

acceleration /ək,selə'reɪʃ(ə)n/ *noun* the speeding up of debt repayment

acceleration clause /ək,selə'reɪʃ(ə)n ,klɔ:z/ *noun* US a clause in a contract that provides for immediate payment of the total balance if there is a breach of contract

acceptance /ək'septəns/ *noun* **1.** the act of signing a bill of exchange to show that you agree to pay it \square to present a bill for acceptance to present a bill for payment by the person who has accepted it **2.** a bill which has been accepted **3.** the act of accepting an offer of new shares for which you have applied

acceptance credit /ək'septəns ,kredɪt/ *noun* an arrangement of credit from a bank, where the bank accepts bills of exchange drawn on the bank by the debtor: the bank then discounts the bills and is responsible for paying them when they mature. The debtor owes the bank for the bills but these are covered by letters of credit.

acceptance sampling /ək'septəns ,sɑ:mplɪŋ/ *noun* the process of testing a small sample of a batch to see if the whole batch is good enough to be accepted

accepting house /ək'septɪŋ 'haʊs/, **acceptance house** /ək'septəns 'haʊs/ *noun* a firm, usually a merchant bank, which accepts bills of exchange at a discount, in return for immediate payment to the issuer, in this case the Bank of England

Accepting Houses Committee /ək ,septɪŋ ,haʊzɪz kə'mɪtɪ/ *noun* the main London merchant banks, which organise the lending of money with the Bank of England. They receive slightly better discount rates from the Bank.

acceptor /ək'septə/ *noun* a person who accepts a bill of exchange by signing it, thus making a commitment to pay it by a specified date

accident insurance /,æksɪd(ə)nt ɪn 'ɪʊərəns/ *noun* insurance which will pay the insured person when an accident takes place

accommodation /ə,kɒmə'deɪʃ(ə)n/ *noun* money lent for a short time

accommodation bill /ə,kɒmə'deɪʃ(ə)n ,bɪl/ *noun* a bill of exchange where the person signing (the 'drawee') is helping another company (the 'drawer') to raise a loan

account /ə'kaʊnt/ *noun* **1.** a record of financial transactions over a period of time, such as money paid, received, borrowed or owed \circ *Please send me your account or a detailed or an itemised account.* **2.** a structured record of financial transactions that may be maintained as a list or in a more formal structured credit and debit basis **3.** (in a shop) an arrangement in which a customer acquires goods and pays for them at a later date, usually the end of the month \circ to have an account or a credit account with Harrods \circ Put it on my account or charge it to my account. \circ They are one of our largest accounts. **4.** a period during which shares are traded for credit, and at the end of which the shares bought must be paid for (NOTE: On the London Stock Exchange, there are twenty-four accounts during the year, each running usually for ten working days.) **5.** a customer who does a large amount of business with a firm and has an account with it \circ *Smith Brothers is one of our largest accounts.* \circ *Our sales people call on their best accounts twice a month.*

accountability /ə,kəʊntə'bɪlɪtɪ/ *noun* the fact of being responsible to someone for

something, e.g. the accountability of directors to the shareholders

accountable /ə'kauntəb(ə)l/ *adjective* referring to a person who has to explain what has taken place or who is responsible for something (NOTE: You are accountable to someone for something.)

account analysis /ə'kaunt ə,næləsɪs/ *noun* analysis of a company's accounts with the aim of discerning how its activities affect its costs

accountancy /ə'kauntənsi/ *noun* the work of an accountant ○ *They are studying accountancy* or *They are accountancy students.*

accountancy bodies /ə'kauntənsi ,bɒdi:z/ *plural noun* professional institutions and associations for accountants

accountancy profession /ə'kauntənsi prə'feʃ(ə)n/ *noun* the professional bodies that establish entry standards, organise professional examinations, and draw up ethical and technical guidelines for accountants

accountant /ə'kauntənt/ *noun* **1.** a person who keeps a company's accounts or deals with an individual person's tax affairs ○ *The chief accountant of a manufacturing group.* ○ *The accountant has shown that there is a sharp variance in our labour costs.* **2.** a person who advises a company on its finances ○ *I send all my income tax queries to my accountant.* **3.** a person who examines accounts

Accountants' International Study Group /ə'kauntənts ,ɪntənæʃ(ə)nəl 'stʌdi ,gru:p/ *noun* a body of professional accounting bodies from the United States, Canada, and the United Kingdom that was established in 1966 to research accounting practices in the three member countries. After publishing 20 reports, it was disbanded in 1977 with the foundation of the International Federation of Accountants.

accountant's liability /ə'kauntənts ,laɪə'bɪlɪti/ *noun* the legal liability of an accountant who commits fraud or is held to be negligent

accountants' opinion /ə'kauntənts ə 'pɪnjən/ *noun* a report of the audit of a company's books, carried out by a certified public accountant (NOTE: The US term is **audit opinion**.)

accountants' report /ə'kauntənts rɪ 'pɔ:t/ *noun* in the United Kingdom, a report written by accountants that is required by the London Stock Exchange to be included in the prospectus of a company seeking a listing on the Exchange

account code /ə'kaunt kəʊd/ *noun* a number assigned to a particular account in a numerical accounting system, e.g., a chart of accounts

account end /ə'kaunt 'end/ *noun* the end of an accounting period

account executive /ə'kaunt ɪg ,zekjʊtɪv/ *noun* **1.** an employee who looks after customers or who is the link between customers and the company **2.** an employee of an organisation such as a bank, public relations firm or advertising agency who is responsible for looking after particular clients and handling their business with the organisation

account form /ə'kaunt fɔ:m/ *noun* a balance sheet laid out in horizontal form. It is the opposite of 'report' or 'vertical' form.

accounting /ə'kauntɪŋ/ *noun* **1.** the work of recording money paid, received, borrowed, or owed ○ *accounting methods* ○ *accounting procedures* ○ *an accounting machine* **2.** accountancy, the work of an accountant as a course of study

'...applicants will be professionally qualified and have a degree in Commerce or Accounting' [Australian Financial Review]

Accounting and Finance Association of Australia and New Zealand /ə'kauntɪŋ ən ,faɪnəns ə,səʊsɪəʃ(ə)n əv nɪs ,treɪliə ən nju: 'zi:lənd/ *noun* an organisation for accounting and finance academics, researchers and professionals working in Australia and New Zealand. Abbreviation **AFAANZ**

accounting bases /ə'kauntɪŋ 'beɪsɪ:z/ *plural noun* the possible ways in which accounting concepts may be applied to financial transactions, e.g. the methods used to depreciate assets, how intangible assets or work in progress are dealt with

accounting change /ə'kauntɪŋ tʃeɪndʒ/ *noun* any of various changes that affect a set of accounts, e.g. a change in the method of calculating the depreciation of assets or a change in the size, structure or nature of the company

accounting concept /ə'kauntɪŋ ,kɒnsept/ *noun* a general assumption on which accounts are prepared. The main concepts are: that the business is a going concern, that revenue and costs are noted when they are incurred and not when cash is received or paid, that the present accounts are drawn up following the same principles as the previous accounts, that the revenue or