

Entrepreneurship © 2013

Chapter 17: Financial Management—Glossary

account. Individual records that summarize information for a single category, such as cash or sales.

accounting. System of recording business transactions and analyzing, verifying, and reporting results.

accrual basis. Accounting method that records revenue and expenses when they occur.

business entity. Organization that exists independently of its owner's finances.

cash basis. Accounting method that recognizes revenue when it is received and expenses when they are paid.

chart of accounts. List of all accounts in the business.

current ratio. Shows the relationship of assets to liabilities.

debt ratio. Percentage of dollars owed as compared to assets owned.

double-entry accounting. Recording the debit and credit parts of a transaction.

financial ratio. Shows the relationship between certain figures on financial statements.

fiscal period. Period of time for which a business summarizes accounting information and prepares fiscal statements.

GAAP. Acronym for generally accepted accounting principles.

income statement. Report of a business' revenue and expenses.

journal. Form used to record business transactions in chronological order.

journalizing. Process of recording transactions in a journal.

ledger. Group of accounts.

net profit ratio. Illustrates how much profit is generated per dollar of sales.

posting. Transferring information from a journal to a ledger.

purchase on account. Transaction for which merchandise purchased will be paid to the vendor at a later date.

sale on account. Transaction for which cash for a sale will be received at a later date.

stakeholder. People with an interest, usually financial, in the business.

working capital. Amount of money a business has after its liabilities are paid.