Glossary

Accounting cycle: describes the process of recording financial transactions from the time the transaction occurred to the time it appears in the financial statement
Accounting equation: Assets = owner's equity + liability
Accounting period: the financial year – the period for which a firm prepares its internal or external accounts; the period covered by the financial statements.
Affirmative action: actions taken by a business to offer equal opportunities to previously disadvantaged people
Analysis: analysis of receipts is the value of each receipt; analysis columns are the values entered for each specific amount
Autocratic: being completely in charge
Balance sheet: reflects the financial position of a business at a specific date
Balancing: summarising accounts in the General Ledger into the amount each year
Bank statement: a record of the account holder's transactions over a set period of time
Borrowed capital: any money borrowed by an entrepreneur or business owner for the purpose of establishing and running a business
Capital market: where money, in the form of shares, is obtained to start a large business
Capital: the initial contribution made by the owner of a business – this can take the form of money or useful items that might be needed in the business, e.g. a car
Cash receipts: all money received in a business is classified as cash receipts
Cash register slip: proof that a transaction has taken place
Cheque counterfoil: the part of the cheque that remains in the cheque book that is used to record transactions
Cheque: a written order to pay a specific amount of money from a current bank account to the person whose name is written on it
Direct tax: drawn from personal income tax payments from individuals and from taxes paid by businesses on their profits.
Economic development: higher standard of living due to an increase in the number of goods and services produced.
Factor market: the place where factors of production are bought and sold
Financial market: any type of financial transaction that helps a business grow or helps an investor to make money
Government revenue: income that government receives from various sources such as direct and indirect tax
Income statement: shows if a business has made a profit or a loss
Indirect taxes: levied by government on our consumption and expenditure, e.g. businesses pay customs duties on imported goods and individuals must pay custom duties on goods that they buy overseas.
Labour market: the place where employers and employees come into contact. It is not a specific place – employers advertise jobs in newspapers, on the internet, and so on
Liability: an obligation to pay back a debt
Local government: consists of municipalities; local government responsible for local roads traffic, clinics, libraries, sewage, water and transport
Natural resources: naturally occurring materials of the planet used for production of goods and services, e.g. land, water, wildlife, minerals
Overhead costs: business expenses such as rent that are not directly attributable to any department or product
Owner's equity: the total assets minus the total liabilities of an individual or business
Receipts: source documents that a business issues as proof that an amount of money has been received.
Sole trader: person who conducts business in a personal capacity
Source document: the original record that contains the details of the transaction