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OxfordAQA International GCSE

Accounting (9215)

Subject specific vocabulary

Used in our International GCSE exams

The following subject specific vocabulary provides definitions of key accounting terms that are relevant to our GCSE-level Accounting (9215) specification.

Your students should be familiar with and understand these terms.

Accountant
A professional responsible for the preparation and analysis of financial statements.

Accruals
The concept that states that revenues and expenditures should be matched to the time period in which they were earnt or incurred.

Accumulated depreciation
Also known as provision for depreciation. The total depreciation charged on a non-current asset from acquisition to date.

Accumulated fund
The capital fund of a non-profit making organisation which is the total of surpluses less deficits to date.

Acquisition
The term given to the purchase of a non-current asset.

Additional incomes
Also known as other income. Revenue that comes from places other than the selling of the core products or services.

Allowance for doubtful debts
Also known as provision for doubtful debts. An estimated amount set aside by a business to account for an expected amount of irrecoverable debt.

Annum
A term that means annually or yearly.

Appropriation account
The part of the Income Statement that shows how profits are distributed to partners.

Arithmetical error
An error which causes debits and credit to not equal in the trial balance.

Arrears
Amounts that are due but have not yet been paid / received.

Asset
A resource owned by a business.

Bank reconciliation statement
A statement that explains the difference between the balance of the bank account recorded in the cash book and the balance shown on the bank statement.

Bank statement
The source document that evidences all bank transactions.

Bookkeeper
The person who records the financial transactions within the books of prime entry and the ledgers.

Books of prime entry
The books in which information from source documents are summarised and organised. They are the first place in which transactions are recorded.

Business entity
The concept which states that transactions recorded in an organisation's accounts can only relate to that organisation. All personal transactions must be recorded separately.

Capital expenditure
Amounts spent on the purchases of non-current assets. This can also include any costs incurred in buying the asset (e.g., legal charges, installation costs etc.) and amounts spent on improving (upgrading) the non-current asset.

Capital income
Income from sources other than regular day-to-day operations e.g. from the sale of non-current assets.

Carriage inwards
The delivery costs of the goods purchased by a business.

Carriage outwards
The delivery costs of the goods sent to the customer.

Cash
Money that is available for spending.

Cash discounts
A discount that is given to customers to encourage early payment of amounts owed.

Cash receipts
The source document which evidences a cash purchase.

Casting error
An error made in addition.

Cheque counterfoils
The source document which evidences a cheque issued.

Closing inventory
The value of inventory held at the financial year end.

Companies Act
A piece of legislation that sets out the law relating to company accounts.

Compensating error
When an error on the debit side cancels an error made on the credit side.

Computer equipment
Includes physical hardware (e.g. keyboard, monitor etc.) and software (programs to run a specific task e.g. accounting packages).

Consistency
The concept that states that the same accounting policies should be used in each accounting year unless there is valid reason for change.

Contra entries
Two entries made that are offset against one another.

Corporation
A legal entity that is separate from its owners.

Cost
The concept that states that assets should be recorded at their cost valuation (the amount they were bought for).

Cost of sales
Also known as cost of goods sold. The cost of the inventory that has been sold within the financial year.

Credit
An entry made into the right side of a ledger account. This represents either an increase in liabilities, income or capital. It also represents a decrease in assets or expenses.

Credit note
The source document which evidences a return has been made.

Credit transfers
Electronic payments made through a bank account.

Current assets
Assets that are expected to be converted into cash within one financial year.

Current liabilities
Debts that are due to be repaid within 12 months.

Current ratio
A liquidity ratio that measures a company's ability to pay its current liabilities.

Debit
An entry made into the left side of a ledger account. This represents either an increase in drawings, assets or expenses. It can also represent a decrease in liabilities or income.

Deed of partnership
Also known as a partnership agreement, this is a legal document that outlines the rules that the partners must agree to follow. It can detail information including how profit will be split, if salaries are to be paid, if interest on drawings is to be charged and if interest on capital is to be received.

Depreciation
The fall in value of a non-current asset over its useful economic life.

Direct debit
A method of authorising a business to automatically collect a regular payment from your bank account.

Discount allowed
A cash discount which is given to trade receivables for paying with the agreed terms.

Discount received
A cash discount which is given to a business by a trade payable for paying with the agreed terms.

Disposal
When a non-current asset is sold.

Dividend
A share of a company's profit paid to shareholders.

Donations
The gift of money or assets. A source of income for a non-profit making organisation.

Double entry bookkeeping
A system which records all financial transaction on the basis that each has an equal credit and debit.

Drawings
The resources that an owner takes out of the business for personal use.

Duality
The concept that states that for every transaction there must be an equal debit and credit entry.

Equity
Also known as capital. The resources that have been invested into the business by the owner(s). For a company this is the sum of all issued ordinary shares, capital and revenue reserves.

Error of commission
When an entry has been made in the correct class of account, but under the wrong name.

Error of complete reversal
Where the account that should have been debited has been credited and vice versa.

Error of omission
Where a whole transaction has not been recorded /omitted in the books.

Error of original entry
Where an error is made when recording details incorrectly (inaccurately) from the source document into the books of prime entry.

Error of partial omission
Where either the debit or credit side of a transaction has not been recorded, resulting in a single entry.

Error of principle
Where an entry is made into the wrong class of account.

Extract
A portion of a document e.g. an extract of the Statement of financial position to show total assets would be the top half of the statement i.e. Non-current assets and current assets.

Factory cost of finished goods
Also known as production cost of goods completed. The cost of manufacturing the goods completed.

Financial accounting
The area of accounting that focuses on preparing financial statements for external users.

Financial ratios
Calculations that are used to help analyse financial performance.

Financial statements
The set of final accounts created ie, the income statement, the statement of financial position and for a company also the statement of changes in equity.

Fixed capital account
A ledger account that records the capital contributed by a partner.

Fixed costs
Costs that do not change in relation to output.

Fluctuating capital account
A ledger account that combines the fixed capital and current accounts of the partners.

Forecast
A prediction or estimate.

General journal
The book of prime entry that records the transactions that are not recorded in the other books of prime entry.

General ledger
The ledger which records all accounts other than those of customers and suppliers.

Going concern
The concept that states accounting records should be prepared on the assumption that the business will continue to trade for the foreseeable future.

Gross profit
The difference between the revenue earned and the cost of the inventory that has been sold.

Gross profit margin
The ratio that measures the gross profit as a percentage of sales revenue.

Income and expenditure account
An account produced by non-profit making organisations which shows a summary of all the income and expenditure to calculate the surplus/deficit made for the period.

Income statement
One of the financial statements. It is put together to calculate profit for the year. Note: the term Income statement was amended by IAS1 to Statement of profit and loss and other comprehensive income. However, the term Income statement is retained with a two-statement approach. Oxford AQA will therefore will retain the term Income statement.

Instalments
One of several parts. Often used when describing debt repayments when the amount owing is repaid in equal amounts until the debt is settled.

Interest on capital
A reward given to partners for investing capital within the business.

Interest on drawings
A charge applied to discourage partners from taking excessive drawings.

Inventory
The items, goods or materials a business holds for the purpose of selling them to customers or using them in the production of goods for sale.

Investors
Someone who invests money with the hope of a financial return.

Irrecoverable debt
An amount owed to the business from a trade receivable, which has been written off.

Ledgers
The books in which the double entry ledger accounts are recorded within.

Liability
Money that a business owes (a debt).

Life membership
A person who makes a one-off payment to become a member of a non- profit making organisation for the rest of their life.

Limited liability
The maximum amount that an owner can lose this is the total value of their capital. Personal assets are protected.

Liquid capital ratio
A liquidity ratio that measures a company's ability to pay its current liabilities, without considering the value of inventory.

Liquidity
The ability to turn assets into cash to be able to pay current liabilities.

Loan
An amount borrowed, usually from a bank. It must be repaid over a period of time, usually with interest.

Manufacturing account
A financial statement produced by manufacturing organisations to calculate the cost of goods produced in a period.

Markup
The ratio that measures the gross profit as a percentage of cost of sales.

Materiality
The concept that states that if the amount is insignificant, normal accounting policies do not have to be followed, as it would not lead to misleading information.

Money measurement
The concept that states that all information recorded in financial accounting must be in monetary form.

Mortgage
A loan which is used to buy property.

Nominal value
This is the face (original) value of a share.

Non-current assets
Resources of value that are bought to use to help generate profit. They are not expected to be turned into cash within 12 months. Can included property (premises), plant and equipment, machinery, office equipment, machinery, fixtures and fittings, motor vehicles etc.

Non-current liabilities
Debts that have over a year in which to be paid back.

Opening inventory
The value of inventory held at the start of the financial year (brought down from the previous financial year).

Ordinary shares
Shares which are sold to shareholders who in return for their investment, become part owners of the company.

Other payables
Also known as accrued expenses. An amount owed for an expense that has been used in this financial year, but which has not yet been paid.

Other receivables
Also known as prepaid expenses. An amount paid in advance for an expense that relates to the following financial year.

Outstanding
Not yet paid or processed.

Overcast / Overstated / Overvalued
The recording of an amount over its actual value.

Overdraft
A source of finance that allows a business to go below zero in their bank account, up to an agreed limit.

Partnership
A business set up by two or more people.

Partnership Act 1890
A piece of legislation that a partnership must follow if no deed of partnership has been created. It states that profits and losses should be shared equally, no partner is entitled to a salary, no interest on drawings should be charged, no interest on capital should be paid and the interest rate for a partner loan should be at 5%.

Payables ledger
The ledger which records the accounts of the trade payables.

Paying-in slip counterfoils
The source document that evidences a deposit made at the bank.

Petty cash book
The book which records the small cash items.

Posting error
When one side of the transaction is posted to the wrong side of the account. Eg, a debit entry is accidentally recorded as a credit entry. The credit entry has been correctly recorded.

Prime cost
The total direct costs of production, includes direct materials, direct labour and direct expenses.

Private limited company (Ltd)
A company in which shares are not traded on the stock exchange.

Profit for the year
The total profit made in a year.

Profit for the year after tax
The profit for the year after deducting corporation tax.

Profit for the year before tax
The profit for the year before deducting corporation tax.

Profit from operations
The profit for the year before considering finance charges and taxation.

Profit in relation to revenue %
A profitability ratio that expresses a company's profit as a percentage of its sales revenue.

Profitability
The ability of a company to earn profits.

Prudence
The concept that states that assets and profits should be understated rather than overstated.

Public limited company (PLC)
A company in which shares are traded on the stock exchange.

Purchase invoices
The source document which evidences a credit purchase.

Purchase returns
Also known as returns outwards; refers to goods returned to the supplier.

Purchases
Raw materials or inventory that have been bought with the intention of being sold.

Purchases journal
The book of prime entry that details credit purchases.

Purchases returns journal
The book of prime entry that details return outwards.

Rate of inventory turnover
A ratio that measures how many times a company sells and replaces its inventory over a period.

Realisation
The concept that states that revenues should only be recorded when a sale has been agreed.

Receipts and payments account
An account produced by non- profit making organisations which shows a summary of all money received and paid during an accounting period.

Receivables ledger
The ledger which contains the accounts of the trade receivables.

Reducing balance method of depreciation
A depreciation method where the depreciation expense is calculated as a percentage of the remaining book value of the asset each year.

Repay /Repayable/Repaid/Repayment(s)
Pay back/ The amount that must be paid back / Paid back (refunded) / The act of paying back.

Residual
Remainder, amount left over. The residual value is the amount that a non-current asset can be sold for at the end of its useful life.

Retained earnings
The profits of a company that have not been paid out as dividends to shareholders.

Revenue
The amounts earned by a business through providing a service or selling a product.

Revenue expenditure
Money spent on running costs. It also includes repairs and maintenance costs.

Revenue income
Revenues that are recorded on the income statement.

Royalties
An amount paid for the right to make a product.

Sales invoice
The source document which evidences a credit sale.

Sales journal
The book of prime entry that details credit sales.

Sales returns
Also known as returns inwards; refers to when customers return goods to the business after a sale has been made.

Sales returns journal
The book of prime entry that details returns inwards.

Scrap
To get rid of something that is no longer useful.

Settlement
The action or process of settling an account.

Share issue
The process by which a company raises capital by issuing new shares to investors.

Sole trader
A business that has one owner. It may have employees.

Source documents
These are the documents that provide proof of a financial transaction.

Standing order
An instruction to the bank to allow a regular fixed payment to be taken by a third party.

Statement of financial position
A financial statement that shows a company's financial position at a specific point in time. It details assets, liabilities and capital.

Straight line method of depreciation
A depreciation method where the depreciation charge is the same amount each year (unless non-current assets are bought or sold).

Subscriptions account
A ledger account that records regular payments to belong to a non-profit making organisation.

Suspense account
A temporary ledger account that is opened when arithmetical errors have occurred. It is used to correct these errors.

Three column cash book
The ledger which records the cash and bank ledger accounts side by side. It also acts as the book of original entry for cash discounts (discount allowed and discount received).

Till roll
The source document which evidences cash sales / takings.

Trade discounts
A discount that is agreed at the time of sale. Given for reasons such as to encourage bulk buying or offered to a business who are in the same industry.

Trade payable days
A ratio that measures the average time a business takes to pay its suppliers.

Trade payables
Suppliers from whom the business has bought from on a credit basis.

Trade payables ledger control account
An account that summarises all transactions which relate to trade payables. Its closing balance shows the total amount owed to trade payables.

Trade receivable days
A ratio that measures the average time it takes a business to collect payment from its credit customers.

Trade receivables
Customers who have bought on a credit basis.

Trade receivables ledger control account
An account that summarises all transactions which relate to trade receivables. Its closing balance shows the total amount owed by trade receivables.

Trading business
A business that sells a physical product.

Transposition error
An error where two digits in a number are accidentally swapped. The difference between the two amounts will be divisible by nine.

Trial balance
A summarised list of all the debit and credit balances, brought forward from the ledger accounts.

Undercast/Understated/Under valued
The recording of an amount under its actual value.

Unequal posting error
When the debit and credit recorded for a transaction are for unequal amounts.

Unlimited liability
The owner(s) are responsible for all business debts. Their personal assets are at risk.

Wholesaler
A business that buy in large quantities from manufacturers and sells in large quantities to retailers.

Work in progress
Goods that have been partially completed.