# Government of South Australia LogoSACE Board LogoStage 1 and Stage 2 Accounting Subject Outline

# Glossary

| Term | Definition |
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| Accountability | Obligation to provide information to relevant stakeholders |
| Accounting Entity | The business is considered a separate reporting entity from its owner(s) and other businesses for accounting purposes. |
| Accounting Period | The life of the business is divided into equal time periods to allow for the financial reporting of the business. |
| Accrual Accounting | Calculating profit/loss, by recording revenues and expenses in the period they occurred, regardless of when cash has been paid or received. |
| Analysis | Using information in the financial statements to perform further investigations such as ratio calculations |
| Assets | An asset is a resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity. Simply put, assets are resources owned and used by the business. |
| Authentic | Genuine or real supported by unquestionable evidence. |
| Bad Debts | Debtors who have been written off and are definitely not going to pay (the creation of Bad Debts reduces the debtors balance) |
| Balance Sheet | A financial statement showing the business’s financial position at a point in time. This can also be referred to as a statement of financial position. |
| Budgeted Reports | These are reports that are created to forecast/predict a business’ future cash, profitability or financial position. They allow for a business to undertake effective planning and control of financial resources. |
| Collaboratively | Two or more people learn or attempt to learn something together. |
| Concepts and Conventions:  | Common principles, guidelines and rules used as a foundation for recording business transactions and preparing financial reports. |
| Consistency | The same accounting practices and principles should be used from one accounting period to the next. |
| Doubtful Debts | Created in response to previous information about how many debtors (e.g. 2%) are unlikely to pay their bills so that profit is not overstated. |
| Duality | Every business transaction will have at least two effects on the accounting equation in order for the accounting equation to remain balanced. Total debits will always equal total credits. |
| Entity | In accounting terms, an entity is anything that exists in its own right that can be recorded, reported on and/or analysed. Examples include individual, sole-trader business, partnership or company. |
| Equity | Equity is the residual interest in the assets of the entity after deducting all its liabilities. This refers to the owner’s financial interest in the business.  |
| Ethical Understanding | Are the moral principles that guide the way a business should behave (operate).This includes being aware of the rights and responsibilities as participants in their community. |
| Expenses | Expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrences of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. In other words, the costs incurred in running the business through its day-to-day operations. |
| Faithful Representation | Means that financial information must be complete, unbiased and free from error. |
| Financial Information | Anything that is recorded in the financial statements |
| Financial Sustainability | Ensuring the longevity of a business in the long term |
| Income Statement | A financial statement showing the business financial performance over an accounting period. This also be referred to as a profit and loss statement or a statement of financial performance. |
| Informed Decision | Decisions based on both quantitative and qualitative information which has undergone analysis and interpretation  |
| Interpretation | Evaluation of accounting information to develop and propose authentic accounting advice |
| Legal Entity | The entity considered responsible for the business debts. |
| Liabilities | A liability is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits. Sometimes this is referred to as obligations the business owes to other external parties.  |
| Materiality | Is where accounting information becomes relevant to decision making and must be included as a separate item in the financial statements.  |
| Non-Financial Information | Other information, either qualitative or quantitative useful in decision making |
| Prudence | Accountants should exercise care and caution when dealing with uncertainties in the measurement process. |
| Qualitative  | Data that is relevant to a situation or scenario and cannot be recorded or measured with a numerical value. |
| Quantitative | Data that can be measured and expressed in numerical terms. |
| Record | Raw data is entered into journals and ledgers. |
| Regulatory Frameworks | Provides a set of rules and regulations for accounting practices. |
| Relevance | Information that impacts on the decision making of users/stakeholders is considered. |
| Report | Recorded data constructed into general purpose financial reports such as an income statement and balance sheet. |
| Revenue | Income increases in economic benefits during the accounting period in the form of inflows or enhancements of assets or decreases of liabilities that result in increases in equity, other than those relating to contributions from equity participants. Simply put, it is the income stream received from business operations.  |
| Stakeholders | Any person or organisation with an interest or concern in a business. |
| Statement of changes in Equity | A report that identifies the change in owners’ equity over the accounting period including the impact of drawings and profit/loss. |

Commonly misunderstood terms

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| Term | Definition |
| Revenue received in advanceUnearned revenuePrepaid revenue | These terms are used interchangeably. They are recorded on the Balance Sheet as liabilities. |
| Doubtful debtsBad DebtsAllowance for doubtful debts | These terms are used interchangeably. They are recorded as expenses in the Income Statement This is a value that decreases your debtors. It is no longer referred to as a provision.  |
| InventoryStockGoods | These terms are used interchangeably. |
| DebtorsAccounts Receivable | These terms are used interchangeably. Customers who owe money to the business. |
| CreditorsAccounts Payable | These terms are used interchangeably. The business owes money to external parties. |

Terms from the Analysis tools table (ratio table in Stage 2 subject outline)

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| Term | Definition |
| Cash Assets | Can be easily converted to cash by collection from an external party such as debtors |
| Receivables | Current assets that can be easily converted to cash by collection from a customer/debtor. |
| Profit/Loss | After all expenses have been deducted from revenues. |
| Gross Profit | The profit from the buying and selling of goods |