

Examrace

Competitive Exams Accountancy: Terminology

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Definition of Accounting Terminology

“Accounting Terminology are such accounting words which are most suitable for describing its category. For example ‘book of accounts’ is general word and Ledger is proper accounting word for more suitable, so these accounting words are known as accounting terminology.”

It is very necessary for that person who is related to other field like technology or medicine. Suppose if a doctor or engineer want to know the term profitability ratio or know what is financial analysis. If you told them with explaining accounting terminology, he never understand. But if you will tell him basic accounting terms with explanation like what is asset and what is liabilities or what is capital, he easily understand if you give some guidance. Here I am giving some basic accounting terminology for this benefit.

1. Cash = Cash is that liquid part of money with this we can buy material goods.
2. Money = Money may be in cash, bank cheque or any bill of exchange
3. Material = Material means the goods which we use for production
4. Finished product = Finished product means goods which is produced after machining process.
5. Debit = It means, we write any amount on which have our some right? suppose, Ram account is debit, it means ram gets some money or goods from us, so we have some right on ram means either we can get our money or price of goods. So accounts always given the name debit. In case of asset like furniture account debit means, we are the owner or purchases it from any other person. In case expenses, any expenses are debit because we take some service so we pay.
6. Credit = Credit means reduce some amount if we have to given to other. Suppose Bank has to given sham 5000. This is the liability of Bank when bank paid to customer. Bank will credit the account of customer.
7. Entry = accounting of any transaction with systematical way is called entry
8. Owner's equity = Owner's equity means the claim of owner on the assets of business.
9. Creditor's equity = Creditor's equity means the claim of creditor on the assets of business.
10. Memorandum Account = This is the account which uses just as memory record but not formal account.

11. brought down b/d = It means transfer from previous balance to new page or next day or next month.
12. carried forward = It means transfer of balance to new page or next day starting point of account or next month's starting point of account's balance.
13. Ledger folio = It is the specific number of each account in ledger, the book of accounts.
14. Contra = It is also show in the cash book in the form of C. When cash withdraw from bank or deposit to bank, it is known as contra, after this no need to show in ledger accounts because all dual process of accounting is completed in cash book.
15. goodwill = It means all profits which can count in money which comes from the reputation, quality products or name of company.

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