

Glossary of Terms

Contents:

Account	Class	Liabilities
Receivable	Correcting	Receipts
Payable	Disbursement	Reduction of Expense
Accruals	Double-entry	Reduction of Income
Assets	Expense	Transfer
Audit Trail Rpt	Fund	Transaction
Balance Sheet	General	Transaction type
Budget	Journal	
Chart	Income	

Term	Definition
Account	An account records the changes made by council operations. Types of accounts include: bank, income, equity, assets, receivables, payables, expenses, and liabilities.
Accounts Receivable	Receivables are uncollected amounts to be received from customers. A Receivable is an asset recognizing earned income, which is recorded at the time an invoice is prepared. Collected receivables may be either income or reduction of expense. The cash balance is not increased until the income is received.
Accounts Payable	Payables are amounts that the Extension Council owes to vendors or payroll vendors. A Payable is a liability recognizing accrued expense, which is recorded at the time the payroll taxes are calculated or when purchase orders are given to vendors. The cash balance is not decreased until the expense is paid.
Accrued income or expense	An accrued income is the realization of income when it is incurred, before receipt of money is accepted. The income and receivable are posted in the Extension Council’s financial records. An accrued expense is the incurrence of cost before payment is disbursed. The expense and payable are posted in the Extension Council’s financial records.
Assets	Assets are anything of value that is owned by the Extension Council. This includes cash deposited in the bank, petty cash, certificates of deposit, investments, accounts receivables, real property, and equipment/furniture inventory. The accounting system separates assets into current assets (bank account balances and receivables) and fixed assets (equipment/furniture) on balance sheet report. A separate fixed asset system maintains a record of equipment/furniture.
Audit Trail Report	The audit trail report shows which transactions were modified or deleted.

Balance Sheet	A balance sheet report lists what the Extension Council owns, what the Extension Council owes, and what the Extension Council is worth at a specified time. The reports includes the Council's assets, liabilities, and equity. It is the financial condition of the Extension Council.		
Budget	A budget is a plan of financial operations for some future period, usually a calendar year. Budget amounts are entered by class and account at the beginning of the fiscal year and may be modified during the year.		
Chart of Accounts	The chart of accounts is the account structure for the Extension Council's accounting system. It is the list of all accounts: bank, income, equity, assets, receivables, payables, expenses, and liabilities.		
Class	A Class is a source of funds. A Class code is 4 digits and is defined by the source of funds and restrictions the funding source places on the deposit and distribution of monies. The first digit identifies the "Fund" and the next three digits identify separate projects or activities within the Fund. (<i>See "Extension Council Funds - Explanation for more information"</i>). Funding sources are classified as follows:		
	1000-1999	County Appropriations	restricted fund
	2000-2999	Unrestricted operations	unrestricted fund
	3000-3099	Education & Services	unrestricted fund
	3100-3199	Testing Activities	unrestricted fund
	3200-3299	Resale & Service	unrestricted fund
	3300-3899	Activities	unrestricted fund
	3900-3999	Courses & other educational activities	unrestricted fund
	4000-4999	Auxiliary Services, i.e. Soil Lab or Regional Printing	designated fund
	5000-5999	Savings & Investments (temporary, to be transferred)	restricted fund
	6000-6999	Grants & Contracts	restricted fund
	7000-7999	Endowments	designated fund
	8000-8999	Capital	agency fund
	9000-9999	Regional Other (4H, Fair Boards, other organizations)	agency
Correcting Entries	Changes may be made in completed transactions to correct class or account codes, amounts, vendor or customer names, memo description. Correcting entries may result in a		

	combination of increases or decreases in cash balances. Original and corrected transactions are recorded in the Audit Trail. A correcting entry form must be approved and signed by the County Program Director.
Disbursement	A disbursement is either cash or check issued to pay an expense or a reduction in income (refund) that results in a decrease in the cash balance.
Double-Entry System	The standard accounting model for accumulating data in an Entity consists of the double-entry system. For each transaction, there are two parts: a debit and a credit. The parts of the transaction are analyzed in terms of the effects on the accounting equation (assets equal liabilities plus council equity). Equal debit and credit entries are made for every transaction, resulting in a balanced financial condition.
Expense	An expense is the cost of goods consumed by the Extension Council in conduct of its program as defined in the Extension Council budget. Expenses are paid by cash or check and include: checks, vendor invoice, purchase orders. An expense may be an obligation to pay some amount in the future to a vendor (accounts payable). Cash balance is decreased <i>only</i> when the amount is paid.
Fund	A group of Classes with the same or similar source of monies and the same type of restrictions on the use of monies is referred to as a Fund.
General Journal	A record of a transaction in which the total amount in the debit column equals the total amount in the credit column. Each amount is assigned to an account on the chart of accounts. General Journal entries may be used for correcting or adjusting entries, transferring an amount between income or expense accounts, or allocating checkbook balance among Classes.
Income	Income is money received (or to be received) from a customer in payment of fees, items sold, or services rendered. Cash balance is increased.
Liabilities	Liabilities are debts of the Extension Council and may include: accounts payable, notes payable, withholding taxes payable, and payroll benefits payable. Liabilities recognize the appropriate expense account, which is recorded at the time the expense is incurred. Cash balance is decreased <i>only</i> when the expense is paid.
Receipts	A Receipt is either cash or check received by the Council for fees, items sold, or services rendered. Receipts are recorded as income and increase the cash balance.

Reduction of Expense	A reduction of expense is a form of cost recovery or reimbursement for money disbursed by the Extension Council that is the financial responsibility of another organization or individual. A reduction of expense increases the cash balance and decreases the appropriate expense account.
Reduction of Income	A reduction of income may be a refund to an individual or organization. A reduction of income decreases the cash balance and decreases the appropriate income account.
Transfer	A transfer is a movement of a specified amount from one account to another account. Two or more transactions are required to move money <i>from</i> one account and move it <i>to</i> another account. There are two types of Transfers: 1) Transfer between balance sheet accounts 2) Transfer between income and expense accounts.
Transaction	A transaction is any financial activity that is measured in terms of money. Transactions are categorized into types.
Transaction types	Transaction types are codes that appear in the account register. They identify the type of transaction: bill, bill payment, check, deposit, general journal, invoice, liability check, payroll check, payment, receipt, transfer.

Sources:

Intermediate Accounting, Meigs, Walter et al, McGraw-Hill Book Company.

Fundamentals of Bookkeeping, Boynton, Lewis, et al, South-Western Publishing Company.

Quickbooks 2000, The Official Guide, Ivens, Kathy, Quicken Press.