

GLOSSARY

A

Accounts payable system A name applied to a combination of the voucher and cash disbursements applications.

Accounts receivable system A name applied to a combination of the billing and cash receipts applications.

Adjusting entries Accounting entries made at the end of a reporting period to correct errors and record deferrals and accruals.

Applications controls Policies and procedure that prevent and detect irregularities and errors within a specific application system.

Application system A set of procedures and computer programs that perform a specific accounting objective.

B

Bottom-up information flow Information that originates from events occurring at the lower levels in the organization structure.

C

Cash flow Inflow and outflow of cash during organization's operating, financing and investing activities.

Capital investment The first component of the business activities cycle. It concerns acquiring money to generate products and services and produce revenue.

Coding The process of assigning a group of numbers or letters to an accounting transactions.

Contingency plan A contingency plan is a formal document that describes procedures to be used should a catastrophe occur at the data center.

Control activities Procedures to provide reasonable assurance that the organization achieves its objectives.

Conversion Cycle Those transactions incurred when inputs to the conversion process are converted into salable goods and services.

Corrective controls Procedures to correct misstated records after an error or irregularity has occurred.

Credit memo A document that records a sales return or sales allowance.

Customer statement A list of all transaction in customer's account during a specified time period.

Cycle billing The practice of mailing customer statements to a different group of customers each day of the month.

D

Debit memo A document sent by purchaser to a vendor that records a purchase return.

Decision support system An information system that provides information primarily at higher organizational levels to aid decision that are usually unstructured.

Depreciation A systematic allocation of the cost of property, plans and equipment over their useful lives.

E

Employee master record A record that contains data on each current and past employee that are used in determining payroll deductions and when preparing government reports.

Entity-relationship diagram A diagram that identifies the data items or entities stored in the computer memory and describes the relationships between these entities.

Expenditure Cycle Those accounting transactions recording the acquisition of material and overhead items for the conversion process of the business.

F

Financial accounting information system An accounting system whose objective is to record, process and report past transactions in accordance with generally accepted accounting principles (GAAP) or international financial reporting standards (IFRS).

Financial Cycle The accounting transactions recording the acquisition of capital from owners and creditors and reporting to them on how it is used.

Flowchart A diagram showing the relationships between sequential processes.

G

General controls Practices, policies and procedures that prevent and detect errors and irregularities for all application systems.

H

High-volume transactions Accounting transactions that are processed by application systems in the revenue, expenditure and conversion cycles. They are summarized by these applications for posting to the general ledger.

I

Internal controls Policies and procedures established by management to achieve the organization's objective.

International Financial Reporting Standards The financial reporting standards issued by International Accounting Standards Board in order to reach the global standards for the preparation of financial statements.

J

Job costing system A cost accounting system that accumulates production costs by job or batch number.

L

Low-volume transactions Accounting transactions recorded by the journal entry system. They include the acquisition of capital, the disposition of property, the accrual of revenues and expenses, and the payment of taxes.

M

Management Information System A combination of people, procedures and machines intended to provide information for management decision making.

Managerial accounting information system An accounting system that records, processes and reports financial information for internal use in accordance with the preferences of management. The scope of this system is usually broader than that required by GAAP or IFRS.

Materials requisition A document confirms the issue of materials for use in production.

P

Periodic method A method of accounting for inventory that relies on a periodic physical inventory count to determine Cost of Goods Sold and ending inventories.

Perpetual method A method of accounting for inventory in which an organization maintains an ongoing count of each inventory item on hand.

Policy statement A written communication from management that identifies its expectations for the employee's behavior.

Preventive controls Procedures to prevent errors and irregularities.

Process costing system A cost accounting system that accumulates production costs by department or cost center.

Purchase requisition A document requesting that the purchasing department acquire goods or services

R

Reasonable assurance A concept stating the costs of a control policy or procedure should not exceed its benefits.

Relevance The information is relevant if it helps to users to evaluate the financial performance of the business and to draw conclusions from it.

Reliability The information is reliable if it is free from error and can be depended upon by users in their decisions.

Remittance advice A document returned by customers with their payments.

Responsibility accounting system A managerial accounting information system that provides both responsibility reporting and performance budgeting.

Responsibility center An unit of organization where a manager control financial measures recorded by a managerial accounting information system.

Responsibility reporting system A managerial accounting information system that communicates to the top management the results of events at lower level of organization structure.

Revenue Cycle The accounting transactions recording the generation of revenue from the outputs of the conversion process.

S

Subsystem A component part of a system that is itself a system.

System A set of parts coordinated to achieve a set of goals.

Structure Charts A diagram showing the hierarchy of the modules making up a computer programs.

System Charts A graphic representation of the equipment configuration of a computer system.

System flowchart A flowchart that describes the computerized processes, manual operations inputs and outputs of an application system.

Segregation of duties The assignment of responsibility so that no individual performs any two of these three function affecting an asset: authorizing transactions in the asset, recording transactions in the asset and maintaining custody of the asset.

Standard journal voucher A document that records a standard journal entry. I t shows the proper accounting entry for a common transaction and minimizes the likelihood of incorrect recording of transaction.

T

Transaction The monetary record of an economic event affecting an organization.

Trial balance A summary of all the accounts in a general ledger and the balances in those accounts.

Top-down information flow Information that originates from events occurring at the higher levels in the organization structure.

Transaction cycle The accounting transactions recording an economic events that normally follow each other in a cyclical way.

U

U.S. Generally Accepted Accounting Principles Accounting standards that guided preparation of financial statements in the United States.

V

Voucher A document prepared to record accounts payable and show the proper account to debit.

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