**Accounts**

The categories under the Assets, Liabilities, and Owner’s Equity headings

**Accounts Payable**

A liability accounts used for short-term liabilities or charge accounts, usually due within thirty days

**Accounts Receivable**

An account used or record the amounts owed by charge customers (legal claims against charge customers)

**Assets**

Cash, properties, and other things of values owned by an economic unit or business entity

**Business entity**

A business enterprise, separate and distinct from the persons who supply the assets it uses

Property acquired by a business is an asset of the business

The owner is separate from the business and in fact has claims on it and responsibility for its debts

**Capital**

The owner’s investment, or equity in an enterprise

**Chart of accounts**

The official list of account titles to be used to record the transactions of a business

**Creditor**

One to whom money is owed

**Double-entry accounting**

The system by which each business transaction is recorded in at least two accounts and the accounting equation is kept in balance

**Equity**

The value of a right or claim to or financial interest in an asset or group of assets

**Expenses**

**T**he costs that relate to earning revenue (the costs of doing business); examples are wages, rent, interest, and advertising

They may be paid in cash, immediately or at a future time (accounts payable)

**Fair market value**

The present worth of an asset or the amount that would be rceived if the asset were sold to an outsider on the open market

**Fundamental accounting equation (Assets = Liabilities + Owner’s Equity)**

An equation expressing the relationship of assets, liabilities, and owner’s equity

**Liabilities**

Debts or amounts owed to creditors

**Owner’s equity**

The owner’s right to or investment in the business

**Revenues**

The amounts a business earns; examples are fees earned for performing services, sales of merchandise, rent income, and interest income

They may be in the form of cash, credit card receipts, or accounts receivable (charge accounts)

**Separate entity concept**

The concept by which a business is treated as a separate economic or accounting entity

The business stands by itself, separate from its owners, creditors, and customers

**Sole proprietorship**

A one-owner business

**Withdrawal**

The taking of cash or other assets out of a business by the owner for his or her own uses. (This is also referred to as *drawing*.)

A withdrawal is treated as a temporary decrease in owner’s equity

**Excel Spreadsheet**