

GLOSSARY OF TERMS

- A -

Account Classification	Business transactions that are summarized by groups/categories, i.e., assets, liabilities, revenues and expenses.
Accounting Period	A period of time covered by an Income Statement or Statement of Changes in Financial Position. It can be any length of time that is measured, but usually accounting periods are months, quarters and years. A fiscal year is any consecutive 12-month period that a business chooses to adopt as its calendar year.
Accounts Payable	Accounts payable is a strategic, value-added accounting function that performs the primary non-payroll disbursement functions in an organization. As such, the AP operation plays a critical role in the financial cycle of the organization. AP enables an organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of the entire payables process. In addition to the traditional AP activities whereby liabilities to third-party entities (suppliers, vendors, taxing authorities, etc.) are recognized and paid based on the credit policies agreed to between the company and its suppliers, today's AP departments have taken on much wider roles including fraud prevention, cost reduction, workflow system solutions, cash-flow management, internal controls and vendor (supply chain) financing.
Accounts Receivable	Amounts due to the reporting company from customers. Accounts receivable is considered a current asset.
Accrual Accounting	Accrual accounting attempts to match expenses with revenues for a particular reporting period.
Accrual Income	The difference between revenues and expenses identified during specific periods of time. Revenue is recognized during the period it is earned. Correspondingly, expenses are matched to the revenue they help produce.
ACH Transaction	A method for paying a vendor whereby a firm deposits funds into the vendors bank account through the Automated Clearing House used by US banking institutions.
Activity Based Costing (ABC)	A method to direct organization's costs to the products and services that caused the costs to be incurred.
Alternate Site	An alternate operating location to be used by business functions when the primary facilities are inaccessible. 1) Another location, computer center or work area designated for recovery. 2) Location, other than the main facility, that can be used to conduct business functions. 3) A location, other than the normal facility, used to process data and/or conduct critical business functions in the event of a disaster.
Assets	Resources owned by a company usually recorded in the ledger at historical cost.

Assumed Receipt

An alternative to the three-way matching method of matching payment documents where goods are assumed to have been delivered when the invoice arrives with the firm; accounts payable pays the amount on the invoice unless instructed otherwise after the department making the purchase reviews the invoice.

- B -

Backup Withholding

Under certain conditions, the business entity is required to withhold part of a payment to a vendor subject to backup withholding. The amount withheld is remitted to the internal revenue service. Backup withholding is usually required when a payee has failed to give the proper taxpayer identification number to the business entity.

Balance Sheet

A financial statement that lists the assets of the reporting entity and claims against those assets. The difference between categories is known as Owners' Equity.

Benchmarking

The process of establishing a standard of performance.

Bills of Lading

Documents that typically accompany a shipment transferring custody of the goods from the supplier to the transportation company.

Blanket Purchase Order

A large purchase order covering multiple purchases over a stated period of time.

B-Notice

A notification sent by a business entity to a vendor/payee that the taxpayer identification number provided by them is incorrect, thus subjecting the vendor/payee to possible backup withholding requirements.

Business Continuity

A notification sent by a business entity to a vendor/payee that the taxpayer identification number provided by them is incorrect, thus subjecting the vendor/payee to possible backup withholding requirements.

Business-To-Business Network (B2B)

A connection between the Internet and a company's private internal network.

- C -

Cash Flow

The process of using cash to generate goods or services for sale, selling the goods or services, collecting the cash and then repeating this cycle.

Certified Independent Audits

Performed by CPAs who attest to the fairness of the financial statement presentation.

Check

Traditional payment system; specially constructed piece of paper instructing the issuer's financial institution to pay the individual, or organization, indicated on the paper, a specified sum of money.

Check Disbursement

The act of sending checks to the payees, usually by mail.

Check Float

The time between when a check is prepared and the funds are withdrawn from the issuer's bank account.

Check Run

The act of printing a series of checks to be disbursed by the firm.

Check Stock

The special paper on which a firm prints checks.

Collection Float	The length of time between a check's presentation for deposit and the actual debit from the account.
Consigned Inventories	Goods owned by a supplier, but stored at the buyer's facility and billed only after they have been sold or consumed.
Consumption Tax	A tax levied on the consumer. Sales/use taxes and value added taxes are considered consumption taxes.
Control	An activity that mitigates or prevents a risk from being realized.
Cross Docking	A process whereby incoming shipments are placed onto an outgoing vehicle.
Current Assets	Assets that are expected to be consumed within one year or one operating cycle of the business.
Current Liabilities	Obligations due within the next 12 months.
Custodial Agreements	A covenant signed by the employee outlining responsibilities as a safeguard against misuse and abuse.

- D -

Deferrable	Applications that contain data that is used periodically, such as market analyses. These applications are looking at a recovery time of 24 hours or longer.
Disaster Planning	The action plan in place to safeguard against the risks of unplanned events such as fire, earthquake, terrorism, harsh weather, computer crash or power outages.
Dormancy Period	A term used in connection with the escheatment process. The dormancy period is prescribed by state law and is the amount of time that lapses before an unclaimed property becomes escheatable.

- E -

E Card	Similar to a P-card but used by purchasing to facilitate buying via e-commerce/internet.
Electronic Funds Transfer (EFT)	The electronic direct deposit system for organizations.
Electronic Data Interchange (EDI)	The electronic exchange of business transactions in a standard format.
Electronic Invoice Presentment (Payment)	EIP is a process by which a service provider collects invoices from a customer's suppliers and electronically transforms them into a standard format that can be integrated into the customer's Enterprise Resource Planning (ERP) system. In some cases, the service provider also pays the invoices on behalf of the customer (EIPP).
Electronic Matching	Electronically reconciling documents, such as the purchase order, invoice and receipt.
Enterprise Resource Planning (ERP)	A business management system that integrates all facets of the business, including planning, accounting, manufacturing, sales, and marketing.

Entity Level Control	A control that is pervasive across the entity, sometimes referred to as a soft control or an element of the control environment.
Escheatment	A process whereby unclaimed property is turned over to the state of jurisdiction for safekeeping.
Essential Systems	Systems that are classified as required for key business functions that cannot be down for more than a day without significant impact.
Evaluated Receipts Settlement (ERS)	An alternative to the three-way matching method of matching payment documents where accounts payable submits payment to the vendor based on the figures stated in the purchase order upon receipt of ordered goods; no invoice is used in the payment process.
Expenditure Authority	Name for the level of authority granted to an individual within a firm allowing them to authorize purchases up to stated dollar amount.
Expense Report	Reimbursement request form completed by an employee reflecting expenses incurred on behalf of the business through the use of a business issued credit card, personal credit card, or cash.

- F -

Fixed Assets	Tangible resources expected to last in excess of one year. The business ordinarily acquires these assets to use in the production of other goods and services. Since these assets are used over more than one accounting period, the cost is allocated over the expected useful life through a process called depreciation. The full cost is not expensed in the period of acquisition.
Fleet Card	A credit card restricted to expenses, such as gas, vehicle maintenance, and parking.
Form 1042, Annual Withholding Tax Return for U.S. Source Income of Foreign Persons	A form used to report and remit to the Internal Revenue Service amounts withheld from payments to foreign individuals and entities.
Form 1042-S, Foreign Person's U.S. Source Income Subject to Withholding	An information return filed with the Internal Revenue Service and provided to foreign individuals and entities. It is used to report potential taxable income amounts received by foreign individuals and entities.
Form 1042-T, Annual Summary and Transmittal of Forms 1042-S	A form used to transmit all Forms 1042- S to the Internal Revenue Service.
Form 1096, Annual Summary and Transmittal of U.S. Information Returns	Form used to manually transmit 1099 forms to the Internal Revenue Service.
Form 1099 (Various)	An information return prepared by a business entity that reports payments to individuals, independent contractors and other non-corporate entities. The form is filed with the Internal Revenue Service and sent to the vendor/payee. There are many types of Form 1099. For a listing of common 1099 forms see section 02- 02 Types of Form 1099.

Form 4419, Application for Filing Information Returns Electronically (FIRE)	Form used to apply for filing Forms 1099 in electronic format to the Internal Revenue Service.
Form 8508, Request for Waiver from Filing Information Returns Electronically	Form used to apply for a hardship waiver from filing Forms 1099 in electronic format when required to do so. This form is filed with the Internal Revenue Service.
Form 8809, Application for Extension of Time to File Information Returns	Form used to request an extension of time for filing Form 1099 with the Internal Revenue Service.
Form 945, Annual Return of Withheld Federal Income Tax	Form used to report and remit backup withholding to the Internal Revenue Service.
Form W-8 (Various)	An information request form used by a business entity to request specific information from a foreign individual or entity for income tax reporting purposes. There are several types of Form W-8.
Form W-9, Request for Taxpayer Identification Number and Certificate	An information request form used by a business entity to request specific information from a United States citizen or entity. The information on Form W-9 helps determine if a vendor/payee should be subject to Form 1099 reporting.
Freight Bill	A document that transfers custody from the carrier to the purchaser.

- G -

General Ledger	The detail of the financial effects of a company's monetary transactions summarized by account.
Generally Accepted Accounting Principles (GAAP)	The guiding principles for recording transactions and producing financial statements for use by managers, investors and other interested parties.
Ghost Card	An organization credit account with a number unknown to the user. This can help centralize purchases, making payment processing earlier.

- I -

Imaging	The comprehensive capture, storage, retrieval and management of digitized paper documents and/or computer-generated data files.
Income Statement	A financial statement that over a specific period of time summarizes the change in owners' equity resulting from transactions other than contributions and withdrawals by owners.

Independent Contractor	An independent contractor is a self- employed person who provides services to a business or businesses without employee benefits and is not closely supervised or controlled. Business entities are required to report payments to independent contractors on Form 1099 each year.
Information Return	A return filed with the Internal Revenue Service that provides information; however, a tax payment is generally not remitted.
Input Tax	Associated with value added tax, the input tax is the tax paid on raw material or inputs into the product being produced.
Interactive Voice Response System (IVRS)	An automated approach to taking phone inquiries.
Interactive Web Response (IWR)	A technology that enables vendors to inquire upon the status of submitted invoices via a secured Internet website on a 24/7 basis.
Internal Audit	Assesses the control environment and provides operational solutions and control improvement recommendations to management.
Internal Control Assessment	A process performed by management or auditors to determine if controls are well designed and effective at mitigating risk.
Internal Metrics	Measurements used to evaluate the performance of a function or process. They can be used for both cost and quality purposes and serve as a “report card” for evaluating performance.
Invoice	A bill from a vendor indicating the items purchased, price of each item, total value of the purchase and payment terms for remittance.

- J -

Journal	A chronological record of daily accounting transactions of a business. Journals are the books of original entry, i.e.; the book where a transaction is initially recorded before being posted into a ledger. For each transaction, the journal shows the debits and credits to be entered in specific ledger accounts, as well as a description of the transaction.
Just-in-time- Inventory	A process whereby materials needed for a particular day in the manufacturing cycle are expected to arrive at the factory exactly when needed.

- K -

Key Performance Indicators (KPIs)	Metrics used to measure results for comparison with predetermined business objectives.
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- L -

Letter of Credit	A non-negotiable instrument authorizing an agent to pay a bank or other firm when specific conditions are met.
Liabilities	Claims of outsiders against the business.
Long Term Liabilities	Obligations that do not need to be satisfied during the next 12 months or operating cycle.

- M -

Mail Float	The time between a check being mailed and its presentation for payment.
Master Credit Limit	Total credit limit available to a firm's entire purchasing card program.
Materiality	A quantified measure of the adverse business impact that would be incurred if one or more specific business processes were disabled for a defined period of time. Materiality is measured for every business process by means of a business impact analysis (BIA). The resulting materiality value for each business process is compared against the business process materiality grid to determine the appropriate level of Business Continuity/ Disaster Recovery protection required.
MICR	Special ink used in printing checks.
Mission-critical	Applications that will, if interrupted, result in severe financial, regulatory or safety issues for the organization. Systems that are so vital that if they are taken down, they'll severely disrupt the company and potentially broad sections of an economy. Recovery time for these applications will be in seconds, minutes or several hours.
Mission Statement	Used to define a company or department's objectives and approach to achieving them.

- N -

NEXUS	A seller's minimum level of physical presence within a state that permits the taxing authority to require the seller to register in order to levy the tax, and to collect and remit sales/use tax to comply with the state's taxing statutes and regulations.
Notice CP2100 or CP2100A	Notification from the Internal Revenue Service that one or more taxpayer identification numbers do not match the taxpayer reported on Form 1099. Specific actions are required by the business entity when these notices are received.

- O -

Optical Character Recognition (OCR)	A more advanced application of imaging technology where invoices are fed into an imaging system and converted to electronic documents that are integrated into a company's ERP system or invoice match system.
Output Tax	Associated with value added tax, the output tax is the tax collected on the sale of a good or service. It is collected by the seller.
Outsourcing	Strategically using outside resources to perform activities traditionally handled by internal staff and resources.

Owners' Equity	The residual after all liabilities (that which the firm owes) are deducted from total assets (that which the firm owns). Owners' Equity is frequently referred to as "Net Worth."
- P -	
Pareto Chart	A graphical presentation employing bars to highlight cumulative effects.
Payment Discount	Reduction in invoice amount offered to a customer for prompt payment, commonly a 2% reduction for payment within 10 days.
Payment File	An accumulation of payments made to a vendor/payee usually in connection with reporting amounts on Form 1099.
Payment Terms	The parameters by which a vendor requires a firm to pay an invoice.
Payment Timing Optimization (PTO)	A vendor payment system based on the assumption that real terms may deviate from those on the invoice.
Per Diem	Absolute ceiling or guideline for certain types of travel expenses.
Positive Pay	A way of preventing check fraud by transmitting the daily AP and Payroll check information to a corporation's bank to help detect bogus or altered checks.
Prime Contractor	A contractor providing service to a government agency that is eligible to do so because it subcontracts or purchases supplies from a certified women- or minority-owned businesses.
Process Level Control	A control implicit in a process. An example would be a requirement that two individuals approve a payment transaction.
Procurement Card (P-card)	A credit card issued to an employee, generally for specified low-dollar transactions, as a time/cost saver for accounting, management, purchasers and vendors.
Purchase Order	Document issued by a buyer to a seller, indicating types, quantities, and agreed prices for products or services. It is used to control the purchasing of products and services from external suppliers.
Purchasing Card	Payment mechanism where an organization issues credit cards to select employees empowering them to make purchases on behalf of the organization without prior approval.
Purchasing Card Cycle	Period by which the financial institution issuing a firm's purchasing cards bills the firm for charges on the purchasing card, typically a month.
Purchasing Card Monthly Limit	Total amount of credit available to a purchasing card program cardholder during a monthly cycle.

- R -

Receiving Document	Document prepared by a firm's receiving department indicating goods the firm has received from a vendor.
Reengineering	The radical, rapid, redesign of a business process for breakthrough changes.
Remittance/Check Request	A form used to pay an invoice that usually lacks any formal document matching such as a Purchase Order.
Risk	An event or consequence that prohibits or delays the achievement of a business objective.
Risk Assessment	A process performed by management to identify and analyze risks that might inhibit or prevent the achievement of a business objective.
Rush Processing	Rushing a payment as an exception through the process.

- S -

Sales Tax	A consumption tax levied on the consumer of the good or service. Sales tax is collected and remitted by the seller of the good or service.
Sarbanes-Oxley Act	Legislation that requires the management of public companies to assess and certify as to the quality of their internal control structure as it relates to preparing accurate and relevant financial statements in accordance with professional standards.
Segregation of Duties	Internal control to prevent fraud by ensuring that a minimum of two people are required to complete separate parts of a particular task.
Single Transaction Limit	The most a cardholder within a purchasing card program can spend on any one transaction.
SMART Goals	Goals for an individual, department, or company that are specific, measurable, attainable, relevant, and time-bound.
Statement Of Cash Flows	A financial statement that summarizes a reporting entity's sources and uses of cash over the accounting period.
Statement of Changes in Financial Position	A financial statement that summarizes a reporting entity's sources and uses of cash over the accounting period.
Summary Invoices	Vendor invoicing that summarizes many small charges on one document.
Supply Chain Management	Focuses on the design, development, optimization and management of all internal and external components of the organization's supply system.
Sweep Account	Type of checking account utilized by firms where the financial institution totals all checks presented against the account and then informs the firm of the total funds necessary to clear the checks, allowing the firm to keep funds in an interest bearing account for the maximum possible length of time.

- T -

Tax Exemption Certificate	Certificate issued by the taxing jurisdiction that exempts a purchaser from paying sales tax on items held for resale or included in a manufacturing process. Tax exemption certificates are issued to wholesalers, manufacturers, and other organizations exempted by taxing jurisdiction.
Taxpayer Identification Number (TIN)	A number used by the Internal revenue Service to track individuals and organizations and their income tax reporting responsibilities. For individuals, the social security number is considered the taxpayer identification number. For business entities, the employer identification number is considered a taxpayer identification number.
Third Party Recovery Auditors	Outside vendors who audit AP invoices to determine if overpayments have been made and recommend process improvements to avoid overpayments in the future.
Three-way Match	Traditional invoice confirmation method where the quantities and dollar amounts on the invoice must match those on the purchase order and receiving documents before accounts payable will issue a payment to a vendor.
Total Quality Management (TQM)	A management process and set of disciplines that is coordinated to ensure that the organization consistently meets and exceeds customer requirements on a journey toward excellence.
Transmittal Control Code (TCC)	A five digit control code provided by the Internal Revenue Service in connection with filing Forms 1099 electronically.
Travel and Entertainment (T&E) Card	A credit card assigned to an individual specifically for business travel and entertainment expenses.

- U -

UN/EDIFACT	An international set of EDI standards adopted in Europe.
Uniform Commercial Code (UCC)	Laws governing commercial practices.
Use Tax	A consumption tax self assessed, reported, and remitted to the state of jurisdiction by the consumer of the good or service. This tax is applicable when the consumer has not paid a sales tax on a taxable transaction.

- V -

Value Added Tax (VAT)	A consumption tax typically found in countries other than the United States. Taxes are collected as value is added to the good or service.
Value-Added Network (VAN)	A service provider that typically furnishes communication, mailboxes, and an EDI interface.
Vendor	Entity from which a firm purchases goods or services.
Vendor Master File	A database that stores information about each vendor, including names, addresses and contacts.

Virtual Credit Cards	Online credit cards that are not physically issued but are used to remit payment to vendors.
Vision Statement	Used to define a company or department's desired future position.
Vulnerability	A flaw or weakness in organizational security procedures, system design and implementation, or overall internal controls that could be exercised (accidentally triggered or intentionally exploited) and result in a disaster or incident event that could lead to a disruption of service or an inability to recover operations.

- W -

Wire Transfer	Method of payment by which a firm transfers funds directly from its financial institution to another entity's financial institution.
Workflow System	Used in accounts payable to automate invoice capture, coding and/or approval prior to invoice payment.