MACMILLAN DICTIONARY
of
ACCOUNTING

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R. H. Parker

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Preface

Accounting is the language of business and, in the twentieth century, English is the language of accounting. Unfortunately, accounting English is a language of many dialects. This dictionary concentrates on the two dominant ones: the terminology used by British accountants and the terminology used by American accountants. The two terminologies overlap, of course, but the differences are quite considerable. It is a weakness of all previous dictionaries of accounting that they cover either British terms or American terms but not both. I have also included a few references to accounting in other English-speaking countries. British accounting is increasingly influenced by its continental European neighbours. Entries have therefore been included on some European accounting institutions and legal forms.

The dictionary covers not only the meanings of words but sets out practices and explains and discusses theories. I have tried to write in the first instance for students preparing for academic (university, polytechnic, etc.) and professional examinations in accounting and accounting-related subjects. I have also borne in mind the needs of teachers of accounting and of accountants in practice, commerce, industry or government whose exams are behind them but who need a reliable source of reference on topics outside their immediate area of practical expertise. In short, this is a book which should be on the desk of all students and practitioners of accounting!

It is one of the strengths and weaknesses of accounting that its boundaries are by no means clear. A dictionary-maker must, however, draw the line somewhere. A large part of this dictionary covers terms in the core areas of financial accounting, management accounting and auditing. There is also a substantial coverage of public sector accounting and business finance. Taxation is treated in general terms with no attempt to cover detailed rules. I have been selective in choosing terms from such fields as economics, national accounting, company law, information technology, operational research and statistics. I have deliberately tried to cover both academic and practical terms: for example, the curious reader is provided with information on both LENS MODELS and WALK-THROUGH TESTS. Many entries include cross-references (in SMALL CAPITALS) and readers are encouraged to follow these up.

It has been difficult to decide whether to include any biographies. After much hesitation I decided to include only those whose contributions to accounting *literature*, whether direct or indirect, were outstanding. This has resulted in entries describing the careers and talents of (in alphabetical order) F.R.M. de Paula, L.R. Dicksee, A.A. Fitzgerald, H.R. Hatfield, Th. Limperg, Jr., A.C. Littleton, G.O. May, Luca Pacioli, W.A. Paton and E. Schmalenbach. Many of these were, of course, also very successful in public practice or industry. I shall be happy, if there is a demand, to provide in later editions biographies of leading practitioners (for example, some of the founders of the BIG NINE international accounting firms).

The contents of this book reflect nearly 30 years of practising and teaching accounting; thinking, reading and talking about it; and contributing to its literature. During the writing of the dictionary I have referred to many leading works. I should like in particular to acknowledge my debt to (in alphabetical order): S. Davidson, C.P. Stickney and R.L. Weil, *Intermediate Accounting* (Hinsdale, Ill.: The Dryden Press), C.T. Horngren, *Cost Accounting* (Englewood Cliffs, N.J.: Prentice-Hall, 5th ed., 1982), S.R. James and C.W. Nobes, *The Economics of Taxation* (Deddington: Philip Allan, 2nd ed., 1983), T.A. Lee (ed.), *Developments in Accounting* (Deddington: Philip Allan, 1981), R. Ma and R.

vi Preface

Mathews, *The Accounting Framework* (Melbourne: Longman Cheshire, 1979), M. Sherer and D. Kent, *Auditing and Accountability* (London: Pitman, 1983), G. Whittington, *Inflation Accounting* (Cambridge University Press, 1983) and E. Woolf, *Auditing Today* (London: Prentice-Hall International, 2nd ed. 1982). None of the authors of these excellent books is, of course, in any way responsible for the use I have made of their ideas.

'To make dictionaries' said Dr. Johnson, 'is dull work.' I cannot agree with him. Making dictionaries is interesting but exceedingly hard work. My work has been lightened by the comments on my labours of my friend, and former colleague, Professor Chris Nobes of the University of Strathclyde and by my two long-suffering secretaries Mrs. Hilary Ireland and Mrs. Elvy Ibbotson.

The text of the Dictionary is preceded by a few pages of Abbreviations and Acronyms of which accounting and related subjects have all too many, as suggested by the splendid title of an article by Peter McMonnies in *Accounting and Business Research*, Summer 1977: 'EEC, UEC, ASC, IASC, IASG, AISG, ICCAP-IFAC, Old Uncle Tom Cobbleigh and All'. It is a well-informed accountant who does not need this dictionary in order to distinguish the AISG from the IASG!

It is the fate of dictionaries to be in a continual state of revision and expansion and this one, if it is successful in its aims, will certainly grow in size through the years. Constructive comments of all kinds will be most welcome. I hope I shall not hear of FUNDAMENTAL ERRORS but since the first edition of a book is in the nature of a TRIAL BALANCE, I shall no doubt be informed of purported errors of original entry, omission and commission.

R.H. Parker
Exeter, July 1984

Abbreviations and acronyms

Where the meaning of an abbreviation or acronym is given in **bold**, a fuller explanation of the term will be found in the main body of the dictionary.

AAA	American Accounting Association
AAANZ	Accounting Association of Australia and New Zealand
AAC	African Accounting Council
AAH	Academy of Accounting Historians
AARF	Australian Accounting Research Foundation
ABR	Accounting and Business Research (<i>see accounting journals</i>)
ABWA	Association of Accountancy Bodies in West Africa
a/c	account
ACA	Associate of the Institute of Chartered Accountants in England and Wales <i>or</i> Association of Certified Accountants (<i>see accountancy bodies</i>)
ACCA	Associate of the Association of Certified Accountants
AccSEC	Accounting Standards Executive Committee (of the AICPA)
ACMA	Associate of the Institute of Cost and Management Accountants (<i>see accountancy bodies</i>)
ACRS	accelerated cost recovery system (USA)
ACT	advance corporation tax (UK)
AFA	ASEAN Federation of Accountants
AG	Aktiengesellschaft
AGI	adjusted gross income (US federal income tax)
AGM	annual general meeting
AHJ	Accounting Historians Journal (<i>see accounting journals</i>)
AIA	American Institute of Accountants (former name of AICPA)
AICPA	American Institute of Certified Public Accountants (<i>see accountancy bodies</i>)
AISG	Accountants International Study Group
AJE	adjusting journal entry
ALGOL	ALGORithmic Language (computer programming language)
ANOVA	analysis of variance
AOS	Accounting, Organizations and Society (<i>see accounting journals</i>)
APB	Accounting Principles Board
APC	Auditing Practices Committee (UK)
APL	A Programming Language (computer programming language)
APR	annual percentage rate
AR	The Accounting Review (<i>see accounting journals</i>)
ARB	Accounting Research Bulletin
ARIMA	autoregressive integrated moving average
ARR	accounting rate of return
ARS	Accounting Research Study
ASC	Accounting Standards Committee (UK)
ASOBAT	A Statement of Basic Accounting Theory
ASR	Accounting Series Release
ASSC	Accounting Standards Steering Committee (UK)
ATM	automated teller machine
AUTA	Association of University Teachers of Accounting (former name of BAA)

viii Abbreviations and acronyms

BAA	British Accounting Association
BASIC	Beginners All-purpose Symbolic Instruction Code (computer programming language)
BCD	binary coded decimal
b/d	brought down
b/f	brought forward
BV	besloten vennootschap
CA	chartered accountant; (more narrowly) member of the Institute of Chartered Accountants of Scotland (<i>see</i> accountancy bodies)
C&AG	comptroller and auditor general
CAI	computer assisted instruction
CAP	Committee on Accounting Procedure
CAPA	Confederation of Asian and Pacific Accountants
CAPM	capital asset pricing model
CASB	Cost Accounting Standards Board (USA)
CCA	current cost accounting
CCAB	Consultative Committee of Accountancy Bodies (UK and Ireland)
CCE	current cash equivalent
c/d	carried down
CD	certificate of deposit
c/f	carried forward
CFA	cash flow accounting
CGT	capital gains tax
CICA	Canadian Institute of Chartered Accountants
cif	cost, insurance, freight
CIPFA	Chartered Institute of Public Finance and Accountancy (<i>see</i> accountancy bodies)
CMA	certified management accountant
CNC	Conseil national de la comptabilité (National Accounting Council, France)
co	company
COB	Commission des opérations de bourse (Stock Exchange Commission, France)
COBOL	COmmon Business Oriented Language (computer programming language)
CoCoA	continuously contemporary accounting
COD	cash on delivery
CONSOB	Commissione nazionale per le società e la borsa (Stock Exchange Commission, Italy)
COP	current operating profit
COSA	cost of sales adjustment
coy	company
CPA	certified public accountant
CPI	consumer price index
CPM	critical path method
CPP	current purchasing power; constant purchasing power (<i>see</i> current purchasing power (CPP) accounting)
CPU	central processing unit (of a computer)
cr	credit (<i>see</i> double entry)
CSI	Council for the Securities Industry (UK)
CSO	Central Statistical Office (UK)
CTT	capital transfer tax
cum div	with the dividend
CVP	cost-volume-profit

DCF	discounted cash flow
DDB	deep discounted bond
DISC	domestic international sales corporation (USA)
DOS	disc operating system
dr	debit (<i>see</i> double entry)
DUS	dollar-unit sampling (<i>see</i> monetary unit sampling)
EBIT	earnings before interest and tax
ECGD	Export Credits Guarantee Department (UK)
ECU	European currency unit
EDP	electronic data processing
EEC	European Economic Community
EFL	external financing limit
EFT	electronic funds transfer
EFTPOS	electronic funds transfer at the point of sale
EMH	efficient market hypothesis
EOQ	economic order quantity
EPS	earnings per share
ERISA	Employee Retirement Income Security Act (USA)
EV	economic value
EVPI	expected value of perfect information
EVSI	expected value of sample information
ex div	without the dividend
FAF	Financial Accounting Foundation (USA)
FAS	Financial Accounting Standard (USA)
FASB	Financial Accounting Standards Board (USA)
FCA	Fellow of the Institute of Chartered Accountants in England Wales (<i>see</i> accountancy bodies)
FCCA	Fellow of the Association of Certified Accountants (<i>see</i> accountancy bodies)
FCI	Finance Corporation for Industry (UK)
FCMA	Fellow of the Institute of Cost and Management Accountants (<i>see</i> accountancy bodies)
FEI	Financial Executives Institute
FICA	Federal Insurance Contribution Act (USA)
FIFO	first in, first out
FII	franked investment income
FOB	free on board
FORTRAN	FORmula TRANslation (computer programming language)
GAAP	generally accepted accounting principles
GAAS	generally accepted auditing standards
GAS	Government Accounting Service (UK)
GASB	Government Accounting Standards Board (USA)
GDP	gross domestic product
GIGO	garbage in, garbage out
GmbH	Gesellschaft mit beschränkter Haftung
GNP	gross national product
GoB	Grundsätze ordnungsmässiger Buchführung (German principles of orderly bookkeeping)
HCA	historical cost accounting
HIP	human information processing
HP	hire purchase
HRA	human resource accounting
IAAA	Inter-American Accounting Association

x Abbreviations and acronyms

IAPC	International Auditing Practices Committee
IASC	International Accounting Standards Committee
IASG	Inflation Accounting Steering Group (UK)
IBRD	International Bank for Reconstruction and Development
ICAC	International Committee for Accounting Cooperation
ICAEW	Institute of Chartered Accountants in England and Wales (<i>see</i> accountancy bodies)
ICAI	Institute of Chartered Accountants in Ireland (<i>see</i> accountancy bodies)
ICAS	Institute of Chartered Accountants of Scotland (<i>see</i> accountancy bodies)
ICCAP	International Coordination Committee for the Accounting Profession
ICFC	Industrial and Commercial Finance Corporation
ICMA	Institute of Cost and Management Accountants (<i>see</i> accountancy bodies)
IDA	International Development Association
IFAC	International Federation of Accountants
ILO	International Labour Office
IMF	International Monetary Fund
IPM	investment period method
IRR	internal rate of return
IRS	Internal Revenue Service (USA)
JAE	Journal of Accounting and Economics (<i>see</i> accounting journals)
JAR	Journal of Accounting Research (<i>see</i> accounting journals)
JBFA	Journal of Business Finance and Accounting (<i>see</i> accounting journals)
LIFFE	London International Financial Futures Exchange
LIFO	last in first out
LP	linear programming
ltd	limited
MBO	management by objectives
MCT	mainstream corporation tax
MIS	management information systems
MUS	monetary unit sampling
MWCA	monetary working capital adjustment
NAA	National Association of Accountants (<i>see</i> accountancy bodies)
NAO	National Audit Office (UK)
NASDAQ	National Association of Security Dealers and Quotation Analysts (USA)
NCGA	National Council on Government Accounting (USA)
NCSC	National Companies and Securities Commission (Australia)
NEDC	National Economic Development Council (UK)
NEDO	National Economic Development Office (UK)
NIFO	next in first out
NPV	net present value
NRV	net realizable value
OECD	Organization for Economic Cooperation and Development
OMB	Office of Management and Budget (USA)
OR	Official Receiver (England and Wales)
PAYE	pay as you earn
P/E	price/earnings
PER	price-earnings ratio
PERT	programme evaluation and review technique
PESC	Public Expenditure Survey Committee (UK)
PIN	personal identity number
P&L a/c	profit and loss account
PLC	public limited company (<i>see</i> public company)

PPBS	planning, programming, budgeting system
PPI	producers' price index (USA)
PPP	purchasing power parity
PPS	probability proportional to size (sampling)
PRT	petroleum revenue tax (UK)
PSBR	public sector borrowing requirement
P/V	profit/volume
PWLB	Public Works Loan Board (UK)
RAM	random access memory (of a computer)
RAWP	Resource Allocation Working Party (UK)
RC	replacement cost
R&D	research and development (<i>see research and development costs</i>)
ROCE	return on capital employed
ROE	return on equity
ROI	return on investment
ROM	read only memory (of a computer)
RPI	retail price index
RRA	reserve recognition accounting (<i>see oil and gas accounting</i>)
RSG	rate support grant (UK)
SA	société anonyme
Sàrl	société à responsabilité limitée
SATTA	Statement on Accounting Theory and Theory Acceptance
SDR	special drawing right (of the IMF)
SE	Societas Europea (European Company)
SEC	Securities and Exchange Commission
SFAC	Statement of Financial Accounting Concepts (USA)
SFAS	Statement of Financial Accounting Standards (USA)
SIAS	Statement on Internal Auditing Standards
SIC	standard industrial classification
SIFT	special increment for teaching (UK)
SMDCF	standardized measure of discounted future net cash flows
SORP	Statement of Recommended Practice (UK)
SSAP	Statement of Standard Accounting Practice (UK)
SVA	statement of value added
SYD	sum of the years digits (<i>see depreciation methods</i>)
TAM	The Accountant's Magazine (<i>see accounting journals</i>)
TB	trial balance
UCC	Uniform Commercial Code (USA)
UEC	Union Européenne des Experts Comptables Economiques et Financiers
UPA	Uniform Partnership Act (USA)
USM	Unlisted Securities Market (UK)
VAT	value added tax
VDU	visual display unit
VFM	value for money (<i>see value for money audit</i>)
WDV	written down value
ZBB	zero base budgeting