1. **Accounting cycle** - refers to the steps in preparing financial statements. It is called a cycle because the steps are repeated each reporting period.

2. **Accrual basis accounting** - Uses the adjusting process to recognize revenues when earned and expenses when incurred (matched with revenues).

3. **Cash basis accounting** - Recognizes revenues when cash is received and records expenses when cash is paid. This means that cash basis net income for a period is the difference between cash receipts and cash payments. Cash basis accounting is not consistent with generally accepted accounting principles.

4. **Classified balance sheet** - organizes assets and liabilities into important subgroups that provide more information to decision makers.

5. **Current assets** – cash and other resources that are expected to be sold, collected, or used within one year or the company’s operating cycle, whichever is longer.

6. **Current liabilities** - obligations due to be paid or settled within one year or the operating cycle, whichever is longer. They are usually settled by paying out current assets such as cash.

7. **Depreciation** - The process of allocating the costs of these assets over their expected useful lives. Depreciation expense is recorded with an adjusting entry similar to that for other prepaid expenses.

8. **Expense recognition (or matching) principle** - Aims to record expenses in the same accounting period as the revenues that are earned as a result of those expenses.

9. **Intangible assets** - long-term resources that benefit business operations, usually lack physical form, and have uncertain benefits. Examples are patents, trademarks, copyrights, franchises, and goodwill.
10. **Operating cycle** - the time span from when cash is used to acquire goods and services until cash is received from the sale of goods and services.

11. **Plant assets** - refers to long-term tangible assets used to produce and sell products and services. Plant assets are expected to provide benefits for more than one period.

12. **Prepaid expenses** - Refer to items paid for in advance of receiving their benefits. Prepaid expenses are assets. When these assets are used, their costs become expenses.

13. **Profit margin** - A useful measure of a company’s operating results is the ratio of its net income to net sales. This ratio is computed: Profit Margin = Net Income/Net Sales.

14. **Time period assumption** - The time period assumption presumes that an organization’s activities can be divided into specific time periods such as a month, a three-month quarter, a six-month interval, or a year.

15. **Unearned revenues** - refers to cash received in advance of providing products and services. Unearned revenues, also called deferred revenues, are liabilities.