Key Terms | Unit 2

**Accrual Method:** An accounting method under which income is reported when it is earned rather than when it is received in cash, and expenses are reported when they are incurred rather than when they are paid.

**Annuitized:** When regular periodic payments on an annuity contract begin for life or for a specified period of time in excess of 1 year.

**Dividend Income:** A distribution of corporate earnings to shareholders, usually in cash.

**Gross Income:** All income from whatever source derived unless it is specifically excluded by some provision of the Internal Revenue Code.

**Compensation:** Salary, wages, and fringe benefits received in exchange for providing services to an employer.

**Foreign Earned Income:** Income earned by a qualifying citizen or resident of the United States in exchange for personal services rendered in a foreign country.

**Fringe Benefits:** Non-cash benefits provided to an employee by an employer in addition to wages and salary.

**Incentive Stock Option (ISO):** A tax-favored stock option that meets certain requirements and is granted by a corporation to an employee to purchase the stock of that corporation.

**Nonqualified Stock Option (NQSO):** A right to purchase shares of company stock at a given strike price (generally set at the market price of the stock on the day the option is granted).

**Working Condition Fringe Benefit:** Any property or service provided to an employee to help the employee perform his job better.