

## 6.01 KEY TERMS

<b>Key Term</b>	<b>Definition</b>
<b>Accounting</b>	The process of keeping and interpreting financial records.
<b>Accounting system</b>	The methods and procedures used in consistently handling the business's financial information.
<b>Accrual accounting method</b>	A method of accounting that records transactions at the time they occur even if no money changes hands at the time.
<b>Cash accounting method</b>	An accounting method in which income and expenditures are recorded at the time the money changes hands.
<b>Cost accounting</b>	Used to reduce and eliminate costs in a business. Cost accounting is used to determine a price for a product or service that will allow earnings of a reasonable profit.
<b>Managerial accounting</b>	A type of accounting that involves preparing and reporting financial data to internal users, usually managers, who need financial information to control day-to-day operations and to make financial decisions and plans affecting the business.