

SIXTH EDITION

KOHLER'S Dictionary FOR Accountants

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6th Edition

KOHLER'S DICTIONARY FOR ACCOUNTANTS

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PREFACE

There you have it: a quick summary within this allotted space of one individual's observations, participations and survival in the midst of dynamic undercurrents...[and] into the hectic preoccupations of today, some of which have already led to decisions and pronunciamientos growing out of involved concepts that will have to be retraced [and possibly reformed and simplified] if the output of accountants is to continue as assimilable reading material for the laity: a laity that may in the end include the bulk of the profession. [From *Eric Louis Kohler: A Collection of His Writings (1919-1975)*, The Academy of Accounting Historians, 1980]

This is the first edition of *Kohler's Dictionary for Accountants*. It is also the sixth edition of E. L. Kohler's *A Dictionary for Accountants*. This is more than a play on words. The first edition of the latter work appeared in October of 1952 and went through a series of revisions with the final, fifth edition, completed in April of 1975 with publication only shortly before Kohler's death on February 20, 1976.

The first edition of Kohler's original work constituted a landmark in accounting—a plateau, one might say—which brought together and succinctly summarized much of what had gone before. It was “plateaulike” in that it also provided a very broad base for further development not only by its clear and cogent summaries but also by bringing into focus the developments and concepts from a great many other fields for their possible bearing on future developments for accounting.

Kohler's interest in the possibility of contributing a systematized body of terminology and definitions to the profession and practice of accounting goes back at least as far as his experiences when serving as Chairman of the American Institute of Accountants' Committee on Terminology (1936). He had a good deal more in mind than any possible charge to that committee, however, when he finally began putting *A Dictionary for Accountants* together. For one thing he saw this work as part of a continuing effort for developing a general set of accounting principles and for improving (in every sense of the word) accounting practice. For another thing, he saw it as an opportunity to reach beyond accounting to bring in terms and concepts from related disciplines and to adjust or adapt them for use in account-

ing. The result was much more than a dictionary, or at least it was much more than a dictionary of accounting. At numerous points—and especially with words that he regarded as basic to accounting—Kohler filled out the definitions with brief essays and elaborations that are really gems of synoptic insight into accounting issues, problems, and practices at very basic levels. This much is pure Eric Kohler. To reach beyond accounting into other disciplines, however, he had to have help from a variety of individuals, many of whom are acknowledged in the first edition. Two who continue to deserve mention for these types of contributions to the original edition are Samuel Nakasian and David Rosenblatt, the former for his contributions from economics, especially international trade and commercial practices, and the latter for his contributions from formal logic, statistics, mathematics, and science generally.

One of the editors of this edition (Cooper) also assisted in a good deal of the work on the first edition and was thus in a position to observe Kohler's style and method of work. In such situations, Kohler quickly threw himself into each idea and, not being easily satisfied with modes of expression by others, he would re-write and rewrite each such contribution until it fitted into the grander scheme of things that he was visualizing for his dictionary. A good example is the definition (and discussion) of the term *axiom*, which has been carried forward pretty much intact from the first edition into this one. A product of collaboration between Rosenblatt and Kohler in this kind of process, it represents a marvelously succinct discussion which, characteristically, winds up with an attempt—the first we know of—to axiomatize accounting at very basic levels. In addition, in the discussion accompanying this definition, Kohler also summarizes and rationalizes (again succinctly) one whole prong of the dictionary and relates it to the rest of accounting (and science) by observing that “in an applied field, such as accounting, the axioms are identical with propositions which belong equally to other disciplines.”

All parts of editions one through five of *A Dictionary for Accountants* were either contributed originally by Kohler or else filtered by him through a process such as we have just described. This continued through the fifth (and last) edition, which he conducted on his own even while the accelerating pace of change in accounting, in other disciplines, in technology, in business, in law (including tax law), and in the world in general made this increasingly difficult to do. In our case, however, and for this edition, we proceeded in a different manner and called for help from others whose names, along with the fields in which their help was solicited, appear in *Contributors to the Sixth Edition*. The additions, deletions, alterations, and expansions that are contained in this dictionary relative to the fifth edition of *A Dictionary for Accountants* could not have been accomplished—indeed, we would not even have attempted it—without the contributions from these individuals, and, in addition, the revisions to the infra structure undoubtedly reflect the influences of our long-time friends and collaborators, A. Charnes and H. A. Simon, as well as R. M. Cyert and George Kozmetsky.

Having made this acknowledgment, we also need to absolve all of the above individuals from blame for any shortcomings. Knowing that we would be preserving much of the previous edition, we secured the consent of each of these persons to edit their contributions as our own judgment might dictate in order to obtain a (more or less) uniform style and degree of coordination. Although many of the contributions from each of these individuals found their way into other parts of the dictionary—at least by cross reference—it

would really be quite impossible to track and credit them individually. With their permission, we therefore stopped at identifying each of these persons with the major fields in which their contributions were solicited. We did not check the results of our editings with any of these individuals and so we can only express our gratitude to them and hope that what they find in this dictionary meets with their approval.

We also wish to make the following copyright acknowledgments. Various terms and phrases taken from the pronouncement of the Financial Accounting Standards Board are used throughout this dictionary. They are used with the permission of the Financial Accounting Standards Board, which is hereby gratefully acknowledged. Most of the terms contributed by Leon E. Hay in the areas of nonprofit accounting came from his book, *Accounting for Governmental and Nonprofit Entities*, and permission by Richard D. Irwin, Inc., the publisher of the book, is hereby gratefully acknowledged. In both cases, they extended their kindness even further and allowed us to indulge in only blanket acknowledgments in order to accommodate the needs of a dictionary in which specific acknowledgments at various points would have been extremely difficult to make.

Although we made a determined effort to preserve as much as possible from the fifth edition, the pace of progress noted above did force extensive changes and alterations. Some occurred in the form of new terms and the revision or elimination of older ones to reflect the many changes in accounting, auditing, tax law, etc., which have occurred since the fifth edition. Similar changes also occurred in terms from related fields, where to make room for newer developments (e.g., in statistics and computers), we found it necessary to delete or condense some of the other materials in rather drastic fashion. Some of the reasons for the latter deletions may be of interest. For instance, as a case in point, we eliminated a good deal of the material on statistical quality control that appeared in editions one through five because, in our judgment, the intentions of the original inclusion had been accomplished—as witness the widespread use of these ideas in many parts of contemporary practice. We did not omit the basic ideas of statistical quality control, however, but only some of the copious buttressing details that appeared in earlier editions, as possible aids to applications in accounting, because we believed it more important to draw in many other new and important ideas from statistics and related areas such as operations research and management science.

The impact of computers and related developments on accounting practice and research also made it imperative to find a way to bring in material pertinent to these developments without unduly expanding the resulting book. Much of this was accomplished by omitting tables—such as the logarithm, compound interest tables, and related nomographs—which appeared in previous editions. It is perhaps of some interest therefore to observe that, in our minds, the availability of such tables in a book like this one appeared much less necessary in this edition, e.g., as devices of convenience, because such information as may be required is now easily obtained not only from computers but also from the small calculators that almost all accountants now carry in their pockets or briefcases.

The fifth edition contained slightly more than 3,000 terms. This sixth edition contains 4,538 terms, of which 2,660 were carried over from the fifth edition, many being drastically revised, and 1,878 are newly defined terms, a ratio of roughly 60% old terms versus 40% new terms. While this itself indicates the considerable degree of revision that has been made, the real extent of revision might be such that more than half of the materials

are new, since a significant portion of the old terms have undergone extensive changes and updating.

We have continued the tradition of the previous editions by alphabetizing compound words as though they formed a single word. All numbers are spelled out and all nonalphabet characters such as a hyphen or an apostrophe are omitted before forming the single word for the purpose of alphabetizing. Thus, for example, "directors' report" is alphabetized as if it were spelled *directorsreport*, hence it is placed between "direct material" (spelled "directmaterial" and "direct overhead" (spelled "directoverhead"). This method of alphabetizing, which is called the letter-by-letter principle of alphabetizing (as against the word-by-word principle), has been widely used in dictionaries.

We have also continued the tradition of italicizing terms defined elsewhere in the dictionary, or else we indicate such an appearance in other ways such as "See..." or "q.v.," for *quod vide* (or "which see"). There may, however, be a variation in the word ending between the italicized word and the term defined in the dictionary (e.g., adjective versus verb, past versus present tense, singular versus plural, etc.). Also italicized are names of journals and books, foreign words, section headings, mathematical symbols, and words with emphasis, but these should be clear from the context.

As a new attempt to facilitate referencing terms in the dictionary, we have supplied an index at the end. The index is an alphabetical listing of all terms defined in the dictionary together with the page number where the term is defined and zero, one, two, or three dots to indicate the size of the definition (more dots, more detailed) as described at the beginning of the index. The idea is to allow a reader to scan the index in a fashion that should often be easier and more rapid than paging through the dictionary itself in search of a term that may perhaps appear in another form.

Finally, we would like to express our appreciation to our assistants who played an indispensable role during the entire duration of the project.

The first of our acknowledgments goes to the DEC-20 Computer System at Carnegie-Mellon University (in the spirit of our mutual friend and colleague, Herbert A. Simon, who believes that the computer is capable of acquiring a personal identity). The most typical characteristic of a dictionary project is the enormous frequency with which a need arises for classifying, sorting, searching, and referencing words or sentences. Without the aid of an efficient computer system, the amount of clerical work would have been overwhelming. Fortunately, Prentice-Hall supplied us at the beginning of the project with a magnetic tape of the fifth edition used in its composition. After a suitable character conversion and an elimination of composition marks, the tape provided a basis for the sixth edition. At the end, after entering all the changes, additions, and deletions, followed by a conversion back to the compositor's characters, we were able to supply to Prentice-Hall a magnetic tape of the manuscript in a form acceptable to the compositor that can speed up the production process considerably. This and other parts of the work were made possible by help from Ron Ledwith of Prentice-Hall, supplied in a ready and easy manner that probably belies the effort and thought he expended. To the list of such assistance from Prentice-Hall should be added the high-quality results of the efforts of Barbara Grasso and Sally Ann Clauss, who served as production and copy editors, respectively.

The excellent computer system at Carnegie (one of the best in the country) offered efficient operation for editing, sorting, checking of spelling, printing, tape processing, and tape conversion. We wrote numerous computer programs as needs arose at various phases

of the project, all in APL (which stands for *A Programming Language*). This is a high-level general-purpose language particularly suitable for this type of work because it processes arrays of characters all at once, thus eliminating tedious looping and indexing in programs, while most other computer languages process one character at a time. Needless to say, our acknowledgment extends to the persons at the C-MU Computation Center who have made the system function in such an exceptionally efficient manner.

Tomo Ijiri spent laborious hours at a computer terminal, typing in all of the new and revised (and re-revised) materials—often helping to correct errors she detected in the process. During the more than four years that this project lasted, she continued at this effort even when the editors found it necessary to attend to other matters. Similarly, Ruth Cooper helped with much of the cross referencing, and her experience as a practicing lawyer was drawn upon many times. This, in addition to the patience and encouragement provided by Ruth and Tomo, made the continuation of this endeavor possible and often made it even pleasant or at least bearable during its long duration.

While intensive care has been exercised to minimize errors of various kinds, we are sure that some must have occurred, not only errors of a clerical variety but also more serious errors of commission and omission. However, the task goes on. This is surely not the last edition of this dictionary. In the interest of perfecting future editions, we solicit the help of readers in calling such matters to our attention. Comments, suggestions, and criticisms will also be appreciated and may be directed to either of the editors. In this way, we may perhaps continue to progress on issues such as those mentioned in the headnote to this Preface.

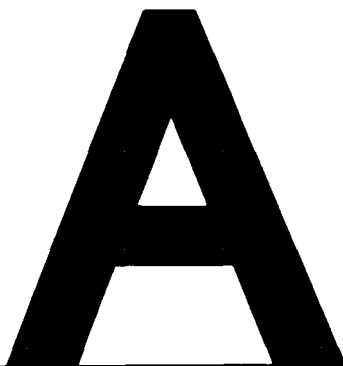
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KOHLER'S DICTIONARY FOR ACCOUNTANTS



AAA = *American Accounting Association.*

Abacus See *accounting journals.*

abandonment The complete retirement of a fixed asset from service, following salvage or other reclaiming of removable parts; as, the abandonment of an exhausted coal mine or oil well, or street-railway tracks upon the institution of bus service; see *retirement*. Under the income-tax regulations, an abandonment loss deduction is allowed only on property of a capital nature (generally excluding depreciable assets employed in a business), the intention to abandon must be evident, the usefulness of the property must have been completely terminated, and there must be no possibility of any future use of the asset. Under special rules, a retirement loss may be allowed on the abandonment of depreciable business property.

A provision in contemplation of future abandonment is a provision for *obsolescence*; such a provision or the loss recognized when the abandonment occurs is not a capital loss for income-tax purposes but may be deducted in full. See *fixed asset; depreciation.*

abatement 1. The cancellation of a part or all of a past or prospective expenditure.

2. A reduction or cancellation of an assessed

tax. Under the *Internal Revenue Code*, a claim in abatement is not permitted as to income, estate, and gift taxes.

3. Any item of incidental income accounted for as a reduction of a general cost; as, the income from minor sales to outsiders of electric power produced by a generating plant owned by a manufacturing enterprise.

ability to pay Having sufficient resources to liquidate or otherwise discharge obligations when due. It may be measured in terms of "wealth" or total assets; or it may also be restricted to liquid assets or even cash. "Income" is also a pertinent measure, especially in taxation, where it often assumes the form of "relative" ability to pay—a guiding principle, or justification, for graduated tax rates as in the federal income tax. It is also reflected in the timing of tax collections. In some circumstances, taxes are collected when cash is received rather than when income or sales are accrued. Thus, recognition of taxable income is postponed on installment sales, but rents received in advance are taxable when received.

abnormal costs 1. Unusual or atypical costs which are usually irregular and unexpected in their occurrence.

2. The difference between expected costs under normal conditions and the actual costs incurred.
3. The difference between expected costs and the actual costs incurred.
4. Costs which should have been avoidable under the actual conditions which prevailed.

abnormal lost units 1. The loss of output units through shrinkage or spoilage which should not have occurred under cost-efficient operating conditions. The cost of such losses is, therefore, not a necessary part of the cost of producing units of good product.
 2. The loss of output units which should have been avoidable given the existing specification of raw material inputs, product outputs, and production method. See *shrinkage* and *spoilage*.

abnormal performance index (API) An index of nonsystematic changes in security prices used to study the effects on security prices of unexpected changes in accounting earnings. The index is a cumulative average of the *unsystematic risk* or unexplained *variance* of the returns on securities relative to the return on a market *portfolio*. See *capital asset pricing model*. It is usually formulated as follows:

$$API = \frac{1}{N} \sum_{i=1}^N \prod_{t=1}^T (1 + \mu_{it}),$$

where N = number of securities; T = number of time periods; μ_{it} = the part of the return on security i in period t explained by the return on a market portfolio, or the forecast error; and

$$\prod_{t=1}^T (1 + \mu_{it}) = (1 + \mu_{i1})(1 + \mu_{i2}) \dots (1 + \mu_{iT}),$$

the T -fold product of the $(1 + \mu_{it})$.

abnormal shrinkage 1. Shrinkage which should not have occurred under cost-efficient operating conditions.
 2. Shrinkage which should have been avoidable in the circumstances. See *shrinkage*.

abnormal spoilage 1. The loss of usable parts or salable products which could have been avoided under cost-efficient operating conditions. The cost of such losses is not, therefore, a necessary part of the cost of producing units of good product.
 2. The loss of usable parts or salable products which could have been avoided with existing raw material inputs, product outputs, and production method.

above par At a premium: applied to the market quotation or price of a security or other item of value, higher than its face amount.

abscissa The horizontal or x axis in a two-dimensional *coordinate system* or chart.

absorb 1. To merge by transfer all or part of the amounts in an account or group of accounts with another account in such a manner as to cause the identity of the first to be lost, as by the transfer of operating expense from *basic-expenditure* accounts to work in process, or from work in process to finished goods, or from finished goods to cost of sales; or by the writeoff of a bad debt against an allowance (reserve) for bad debt.
 2. To include related actual costs in establishing a price or a standard cost.
 3. To spread costs through *allocation* or *proration* (*prorate*).

absorbed costs Factory overhead and other indirect costs which are allocated to products or services. See *overhead; cost absorption*.

absorbing state A state which has a zero probability of leaving it so that, as in a *Markov process*, the probability of transiting to some other state is zero once an absorbing state is reached.

absorption account An account offsetting, in whole or in part, one or more related accounts, its purpose being to preserve the identity of such accounts, as well as accumulate periodic transfers to other accounts; thus, an account for *accumulated depreciation*; an

allowance for doubtful accounts. See *split-account system*; *contra account*; *cost absorption*; *valuation account*.

absorption costing The process of allocating all (*full absorption costing*) or a portion (*direct costing* and *standard costing*) of fixed and variable production costs to *work in process*, *cost of sales*, and *inventory*.

abstract *adj.* Characterizing a property or relation considered apart from local or temporary contexts, or a quality considered independently of the object or event that possesses it; pertaining to (a) that which is common to a class; (b) a meaning that can be expressed by a symbol that does not refer to anything unique; (c) features not limited to a perceived object; or (d) an expression calling attention to such features. *n.* = *trial balance*.

Academy of Accounting Historians Founded in 1973, the Academy of Accounting Historians is a voluntary organization of persons interested in the study of accounting history. It publishes a newsletter, working papers, monographs, and *The Accounting Historians Journal*.

accelerated cost recovery system (ACRS) In order to stimulate investment, a new method of depreciation was prescribed in the Economic Recovery Tax Act of 1981, allowing taxpayers fast cost recovery for tax purposes. All tangible properties, new and used, that are placed in service by the taxpayer after December 31, 1980, are eligible with some exceptions. (A major item in the exceptions is property which the taxpayer elects to depreciate under a depreciation method not expressed in terms of years, such as the unit-of-production method.) Cost of eligible property is "recovered" (depreciated) over a predetermined period (one of 3, 5, 10, or 15 years based on the types of property) and at predetermined rates. The rates generally reflect the results of using the double-declining

balance method (1) with a switch to the sum-of-the-years-digits method at an optimum point, (2) with a half-year convention in the year the property is placed in service, and (3) with salvage value being disregarded. The same rate schedule is applied to both new and used property.

Thus, for 3-year property, the recovery percentage is 33% in the first year, 45% in the second year, and 22% in the third year. For 5-year property, the percentages are 20, 32, 24, 16, and 8. For 10-year property, they are 10, 18, 16, 14, 12, 10, 8, 6, 4, and 2. For 15-year public utility property, they are 7, 12, 12, 11, 10, 9, 8, 7, 6, 5, 4, 3, 3, 2, and 1. For 15-year real property, detailed percentages are specified based on the month in which the property is placed in service since the half-year convention is not used in this case. These percentages are applicable to properties placed in service after 1985 when the law is fully phased in. For those placed in service in 1981 through 1984, less accelerated percentages are specified.

Three-year property consists of autos, light-duty trucks, equipment used in connection with research and experimentation (R&D equipment), horses older than certain ages when placed in service, and personal property with an asset depreciation range (ADR) midpoint life of 4 years or less. (ADR is the depreciable life specified by the Treasury Department for classes of assets based on industry experience and had been in use before this 1981 Act.) Five-year property includes most machinery, equipment, furniture and fixtures, horses not in the 3-year class, and some short-lived public utility and real property. Ten-year property consists of public utility property with an ADR midpoint life greater than 18 but not greater than 25 years, railroad tank cars, some coal utilization property, manufactured residential homes and mobile homes, and real property

with an ADR midpoint life of 12.5 years or less. Fifteen-year property is public utility property with an ADR midpoint life exceeding 25 years and real property with an ADR midpoint life of more than 12.5 years or with no ADR life.

In lieu of using the ACRS, a taxpayer may elect to use the straight-line method over the optional recovery periods of 3, 5, or 12 years for 3-year property under the ACRS; over 5, 12, or 25 years for 5-year property; over 10, 25, or 35 years for 10-year property; and over 15, 35, or 45 years for 15-year property. Such an election may help a taxpayer with expiring net operating loss carryovers or credit carryovers. A single recovery period should be used for all property in the same class and placed in service in the same year, except for 15-year real property, for which the election may be made on the property-by-property basis.

accelerated depreciation Depreciation at a larger than usual rate because of (a) plant operations at more than normal speed, use, or capacity; (b) a useful or economic life materially less than physical life, as (i) mine equipment, the physical life of which is in excess of the estimated operating period of the mine, its cost therefore being absorbed in operating expenses over the shorter period, or (ii) assets purchased for use in connection with a contract, order, or job at the completion of which the assets will have a diminished or no foreseeable remaining utility; (c) an excessive cost of construction occasioned during a period in which materials and skilled labor are at a premium, such excessive cost being written off during what is estimated to be the high-price period; (d) the decision of the Congress to stimulate investments of certain types by allowing rapid cost recovery for tax purposes, as in *accelerated cost recovery system*; (e) tax advantages arising from the use of declining-balance method

and sum-of-the-years-digits method (see *depreciation methods*); (f) other conditions giving rise to limited or lessened economic use. The federal income-tax regulations give little or no recognition to items (a) and (c), except through optional methods of *depreciation*. See *accelerated cost recovery system*; *depreciation*; *depreciation methods*; *obsolescence*.

acceptable quality level (statistical quality control) A predetermined degree of quality, generally in terms of number or percent of defective items in a lot or batch of goods, which is regarded as satisfactory in the sense that such quality will be accepted by the inspection procedure a high proportion (generally 95% or more) of the time; often referred to as AQL.

acceptance 1. A promise to pay, by the drawee of a bill of exchange, usually evidenced by inscribing across the face of the bill "accepted," followed by the date, the place payable, and the acceptor's signature. Any words showing the intention of the drawee to accept or honor the bill are sufficient, however. The effect of the acceptance is to make the bill equivalent to a promissory note, with the acceptor as maker and the drawer as endorser. See *bank(er)'s acceptance*; *promissory note*.

2. A *bill of exchange* accepted by the drawee.

3. A *trade acceptance*.

4. The action of one of the parties to a contract to make it valid, following the offer of the other party. The acceptance may be made orally or in writing, depending on the nature of the contract.

acceptance sampling (statistical quality control) Use of samples to determine the acceptability of submitted lots of goods. Acceptance sampling by *attributes* is probably the predominant practice, the inspection test involving either a classification of the sample items as good or defective or a count of the number of defects per 100 units. Acceptance

sampling by *variables* is also possible; where feasible it possesses greater efficiency per unit inspected than does sampling by *attributes*. However, both methods involve assumptions concerning the distribution of quality within the lot, and these assumptions place a real restriction on the general applicability of acceptance sampling by variables. The inspection test consists of measuring some quality characteristic of each item in the sample. Judgment on the lot is then based on the data resulting from this measurement.

Acceptance sampling by *attributes* is divided into four types, according to whether single, double, multiple, or sequential (item-by-item) samples are used. Under single sampling, a *sample* consisting of a predetermined number of items is taken at *random* from a lot. On the basis of this sample evidence of production quality, the entire lot is accepted or rejected. This scheme in many cases requires a relatively large sample. Although inspection of the sample may be curtailed in various ways, this is seldom desirable. A better alternative is to seek other sampling schemes that yield corresponding (matched) protection with lower inspection costs.

Double sampling may, in many cases, and with less expense, give the same degree of quality protection as single sampling. Double sampling proceeds in two steps. A relatively small random sample of items is taken from the lot and inspected on the basis of predetermined standards. From the evidence obtained through this first sample, it may be decided to accept or reject the lot. Since the sample is relatively small, the evidence yielded by it may prove inconclusive. When such is the case, a second sample (usually larger than the first sample) is taken at random from the remainder of the lot and the results of the two samples are combined to determine whether to accept or reject the lot.

Multiple sampling constitutes a logical extension of double sampling, except that successive samples, where needed, are the same size as the first sample. For each sample, three decisions are possible: (a) accept the lot, (b) reject the lot, or (c) take another sample because the accumulated evidence through that stage is inconclusive. In multiple sampling, the "group" or "block" samples are always small relative to the single or double plans being matched and are accompanied by acceptance and rejection numbers that maintain the specified degree of quality protection and arranged to force a decision by at most nine (and frequently fewer) blocks.

Sequential (item-by-item) sampling resembles multiple sampling in principle, the block size being simply one item, so that the three possible decisions are available after inspection of each unit rather than at the end of the inspection of a group of units. Also, in sequential sampling, inspection could continue all the way through to complete 100% sorting of the entire lot, although in practice this is never done, decisions under this scheme being consistently reached after the inspection of fewer pieces on the average than under any of the other three types. Because sequential plans are easy to design, they are extremely flexible and can therefore be "custom-built" to fit special protection requirements with greater precision than is possible under any of the other three types of sampling. The major obstacles to the practicability of sequential sampling are the highly variable inspection load it imposes, with its attendant handling costs, and the necessity for careful training and supervision of the inspection personnel to be entrusted with using it.

All four types of sampling plans are based on definite protection features in terms of calculable risks; standard tables are available

covering a wide range of quality protection and providing appropriate sample sizes and acceptance and rejection criteria.

Developing experience with sampling from successive lots of goods and the maintenance of a *p* chart (see *control chart*) in conjunction with sampling may be used as a guide for sample redesign which will result in reduced or tightened inspection.

For plans with matched protection features, techniques are available for determining how the four types of plans compare as to the average amount of inspection required to reach a decision on the lot. Multiple sampling plans will generally have a decided advantage in this respect over the corresponding single or double plans at all levels of incoming lot quality, and sequential plans will be even more frugal in this respect than multiple plans.

accessions tax A proposed alternative to the present taxation of gift and estate transfers, which would levy taxes on the recipients of gifts and inheritances rather than on the transferors, with progressive rates applied to the cumulative amount of all wealth received. See *inheritance tax*; *death taxes*; *unified transfer tax*.

access time (computers) The time between which data are requested and delivered from a storage device. This includes *latency time* and *seek time* as well as time to transfer data.

accommodation endorsement An endorsement by one person, without consideration, on a note or other credit instrument to which another person is a party, for the purpose of establishing or strengthening the other's credit; as, a corporation's endorsement on the bank loan of a subsidiary. See *commitment*; *contingent liability*.

accommodation note (or paper) A note signed by one person as maker, endorser, or acceptor, on behalf of another whose credit standing is weak or nonexistent. As a rule, no

consideration is involved, the intent of the signer being to act as a surety or guarantor. The power of a corporation to act as such a signer is often questioned. See *contingent liability*.

accommodation purchase A good or service acquired by an organization for another, or for a customer or employee, usually because of superior purchasing facilities, larger discounts, or other advantage.

account *n.* 1. A formal record of a particular type of transaction expressed in money or other unit of measurement and kept in a *ledger*.

2. = *account current*.

3. The amount owed by one person to another, often evidenced by a statement showing details. See *account stated*.

4. (governmental accounting) An *appropriation request* appearing in the annual budget of the United States.

5. Chargeable or creditable, as in the expression, "for the account of, on behalf of."

6. *pl.* = *financial statements*; as, the annual accounts of a business enterprise. In British practice, both *books of account* and year-end financial statements may be implied.

7. *pl.* The bookkeeping records (*books of account*) of any organization, including journals, ledgers, vouchers, and other supporting papers.

v., with "for": (a) To place in the books of account; (b) to furnish facts supported by explanations; (c) to return (tickets, coupons) as unsold or unclaimed; (d) (auditing) to obtain explanations that constitute *accounting evidence* concerning an expenditure; with "to": to render an *accounting* (2).

In practice, there are no mechanical standards, minimum or otherwise, for the account form. Required only are (a) the date, to identify the day or accounting period of the transaction or transaction group, (b) the source of the item, so that when an error is discovered