

# Financial Terms Cheat Sheet

## Accounts Payable (AP) (Balance Sheet)

- Money owed to vendors for goods/services.

## Accounts Receivable (AR) (Balance Sheet)

- Money owed to your business by customers. Invoicing can be used for tracking and collection.

## Accrual Basis Accounting

- Accounting method where transactions are recorded when earned (service has been delivered or used), regardless of when money is exchanged.

## Assets (Balance Sheet)

- Resources owned by the business. Include Current (Cash), Fixed (Equipment), and Intangible assets (intellectual property).

## Balance Sheet

- Financial Statement showing assets, liabilities and equity. It shows a snapshot of your company's health at a specific point in time.  $Assets = Liabilities + Equity$ .

## Statement of Cash Flow

- Financial Statement that summarizes the movement of cash that comes in and out of company, over a period of time.

## Cash-Basis Accounting

- Accounting method where revenue/expenses are recognized (recorded) when money is exchanged. Revenue is recognized when received. Expenses are recorded when paid.

## Cost of Goods Sold (COGS) (Balance Sheet)

- The production cost of goods/services. Crucial for determining your profit margins.

## Equity (Balance Sheet)

- Value invested by owners or shareholders. A business's net worth/value.

## Fixed Assets (Balance Sheet)

- Long-term assets that are difficult to convert to cash. Ex) Land, machinery, vehicles, etc.

## Intangible Assets (Balance Sheet)

- Non-physical assets such as patents, copyrights, trade secrets, etc.

## Net Income (P&L)

- Revenue minus Expenses, including interest and tax expenses. This is the full picture. This is not cash flow, but contributes to cash flow.

## Profit and Loss (P&L)

- Summary of revenues/expenses over a period of time. Evaluates a company's performance and profitability.

## Shareholder

- An owner of shares in a company's stock



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