Finance in Focus

Your Quick Guide to Accounting Terms

Expense

A cost incurred by a business or individual to generate revenue or maintain operations. It represents money spent on goods or services consumed in the course of conducting business activities. Examples include rent, utilities, salaries, supplies, and marketing expenses.

Revenue

The income generated from normal business operations.

Categorization

Categorization is the process of assigning every financial transaction to a specific account or category. This helps in organizing and tracking the money coming in and going out of your business ensuring that you maximize and claim all the tax deductions you're entitled to.

Reconciliation

Reconciliation is the process of comparing your business's financial records with external statements (like bank statements) to ensure that they match and are accurate. This helps identify and correct any discrepancies between the two sets of records.

Accounts Payable

Money your business owes to suppliers or vendors for products or services bought on credit.

Accounts Receivable

Money owed to your business by customers for products or services sold on credit.

Income Statement

An income statement, also known as a profit and loss statement, is a financial report that summarizes a company's revenues, expenses, and profits (or losses) over a specific period of time, typically a quarter or a year.

Balance Sheet

The balance sheet is one of the key financial statements in accounting, and its primary purpose is to provide a snapshot of a company's financial position at a specific point in time.

Asset

Resources owned by your business that have value. This includes but is not limited to cash, vehicles, real property, machinery and equipment.

Liability

What your business owes to others. This includes but is not limited to Loans, accounts payable, and mortgages.

Equity

The owner's claim to the assets of the business such as Owner's investment in the business, retained earnings.

Retained Earnings

Money owed to your business by customers for products or services sold on credit.

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Cash Flow

The movement of money into and out of a company. It represents the inflow and outflow of cash from operating, investing, and financing activities. Positive cash flow occurs when more money is coming into the business than going out, indicating financial health and the ability to cover expenses and investments. Negative cash flow means more money is going out than coming in, which may signal a need to manage expenses or secure additional funding.