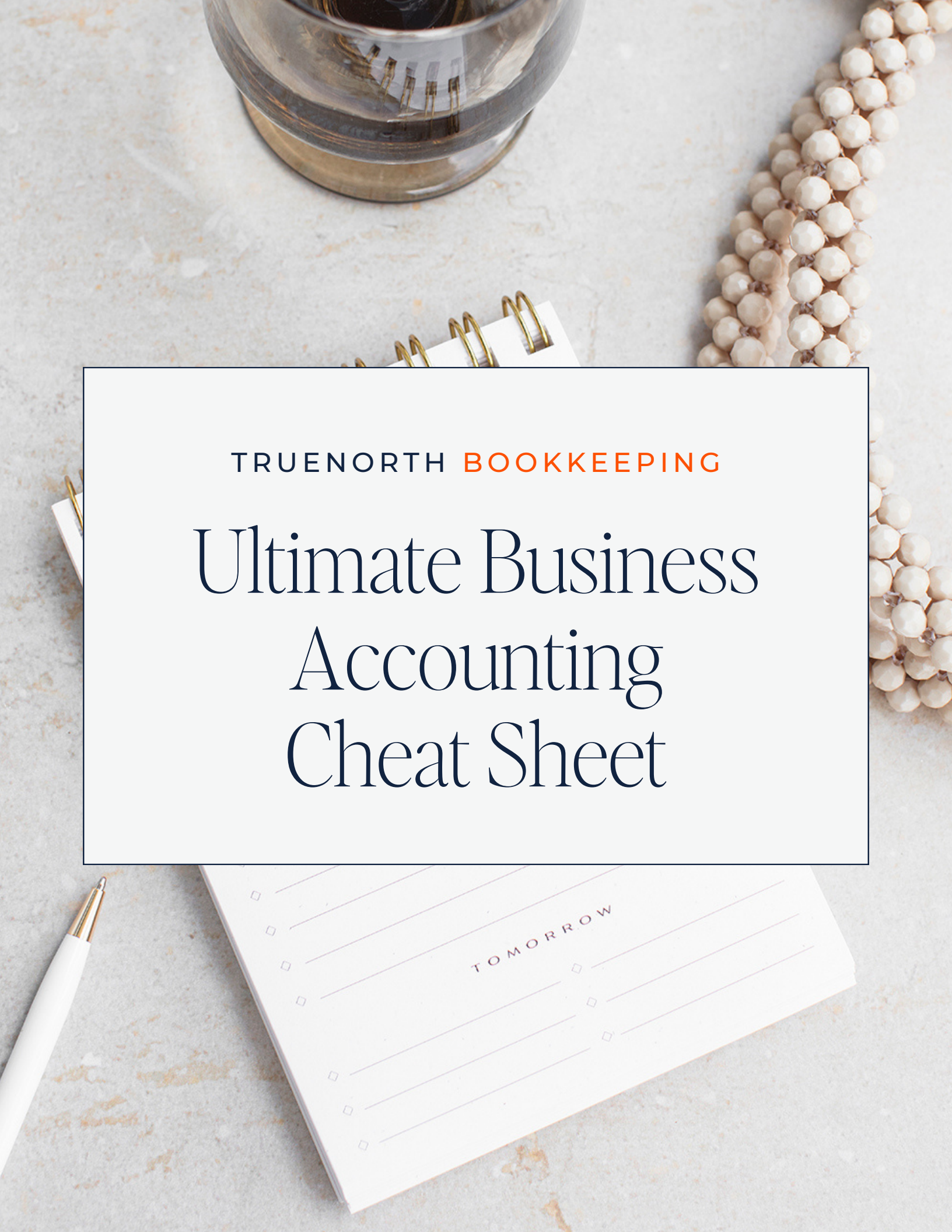


A top-down view of a marble desk with various items: a glass of water at the top, a string of pearls on the right, a spiral notebook in the center, and a pen at the bottom left. A white rectangular box with a thin black border is centered on the notebook, containing the title text.

TRUENORTH BOOKKEEPING

Ultimate Business Accounting Cheat Sheet

TOMORROW

Hey, I'm Sara!

Understanding your numbers shouldn't have to feel like learning a whole new language, but a lot of small business owners feel like they're doing a Duolingo lesson reviewing their financials.

That's why I've created the Ultimate Business Accounting Cheat Sheet that explains all the accounting jargon you need to know in plain English!



Keep reading to find no-fluff definitions of all of the most common accounting and tax terms you need to understand to feel confident talking money.

The information provided in this guide is for informational purposes only and is not intended to be tax advice. While every effort has been made to ensure the accuracy of this content, you should consult with your financial professionals for advice specific to your individual situation.

Accounting Terms Cheat Sheet

BALANCE SHEET: A financial statement that shows the balance of your business's assets, liabilities, and equity at a certain point in time.

ASSETS: Something that your business owns, like cash, inventory, land, and A/R.

ACCOUNTS RECEIVABLE: Money that's owed to you by your customers (unpaid invoices).

LIABILITIES: Something your business owes, like loans, A/P, and credit card balances.

ACCOUNTS PAYABLE: Money that your business owes to others (like unpaid bills).

EQUITY: Your ownership in your business. It's the difference between your assets (what you own) and your liabilities (what you owe).

RETAINED EARNINGS: The accumulated income a company retains after it has paid all expenses and dividends to shareholders.

Accounting Terms Cheat Sheet

INCOME STATEMENT (P&L): A financial statement that shows how much your business earned (or lost) over a certain period.

REVENUE: Also known as your sales, this is the money your business has earned from selling goods or services.

EXPENSES: The costs associated with running your business.

NET PROFIT (NET INCOME): The difference between your revenue and your expenses. This is your bottom line!

DEPRECIATION: An expense that spreads the cost of an asset over its useful life, reflecting its loss in value over time.

COGS: The direct costs associated with producing the goods or services your business sells.

Accounting Terms Cheat Sheet

CASH FLOW STATEMENT: A financial statement that shows the movement of cash in and out of your business.

CHART OF ACCOUNTS: A list of all the different accounts (categories) into which your financial transactions can be categorized.

BANK RECONCILIATION: A comparison of your bank records to your bookkeeping records to find any discrepancies.

INVOICE: A bill you send to your customer detailing the goods/services provided, cost, and payment due date.

PROFIT MARGIN: A financial ratio that shows how much money your business earns after all expenses are paid.

OWNER'S DRAW: Money that's taken out of a business for personal use (for sole proprietors and partnerships).

Accounting Terms Cheat Sheet

TAXABLE INCOME: After deductions, credits, and exemptions, this is the amount of income you're actually going to pay taxes on.

TAX DEDUCTIONS: Certain expenses that reduce your taxable income.

TAX CREDIT: This amount is subtracted from the actual tax you owe, reducing your tax bill on a dollar-by-dollar basis.

IRS AUDIT: An examination of a taxpayer's records to determine whether everything was reported correctly (this doesn't automatically mean you've done something wrong!).

FILING STATUS: There are five different tax filing statuses with different qualifications. It plays a role in your tax bracket, deductions, and credits.

STANDARD DEDUCTION: A flat amount that the IRS allows you to deduct from your income based on your filing status.

Accounting Terms Cheat Sheet

ITEMIZED DEDUCTION: If your total itemized deductions (certain deductions the IRS allows, like certain medical expenses, mortgage interest, and charitable deductions) exceed the standard deduction amount, you'll generally want to itemize.

TAX BRACKET: This is the range of income to which a certain tax rate applies. Your tax bracket is based on the highest dollar of income you earn, but keep in mind that not all of your income will be taxed at your highest tax bracket.

WITHHOLDING: The amount of money taken out of your pay-check by your employer for taxes. The amount of withholding is determined by Form W-4.

ESTIMATED TAX: If you have income from sources that aren't subject to withholdings (like self-employment), you generally have to pay this to cover your expected tax liability.

CAPITAL GAIN: The profit you make from selling a capital asset (like real estate, stocks, etc.). The tax rate is based on the amount of time you held the asset.



Let's Connect!

I'm passionate about helping small business owners understand their numbers through monthly bookkeeping, increase profits and streamline business processes.

www.truenorthcoltd.com