Accounting term pdf

Like it or not, accounting is one of the tasks that every business owner has to deal with. And whether you intend to make your own accounting or hire professionals, you will need to familiarize yourself with some basic accounting conditions. Accruals-based accounting: Public companies and most companies and professionals in the U.S. and Canada are required by law to use accruals-based accounting, which requires revenue to be accounted for when invoicing the customer and costs to be accounted for when making them, not when actual payments are made. Accruals-based accounting gives a more accurate picture of the long-term health of the business. Cash-based accounting: Cash-based accounting is a simple method of tracking revenue and expenses – revenue is recorded when the customer makes a payment and costs are recorded when paid. It is most often used by sole traders and small businesses that do not maintain inventory. If the customer has credit terms, the revenue is not recorded until a full payment is received, regardless of the invoice date. Similarly, if the business is a repeatable cost of credit, the cost is not recorded until the invoice is fully paid. Balance sheet: The balance sheet is a snapshot of the financial position of the company at a certain point in time. It is organized into two main columns, with assets in one column and liabilities and equity in the other. The two parties are always the same to each other (in other words, assets = equity minus liabilities). Cash Flow Statement: The cash flow statement shows the movement of cash and cash equivalents in and out of business. The cash flow statement is an important tool for assessing business health, as it is possible to show a profit on the income statement while draining cash from the business. Most companies that fail do so because of chronic cash flow problems. General Ledger: The general ledger is the full recording of a company's financial transactions throughout the organization's duration, including assets, liabilities, income, expenses and equity. Earnings report: The earnings report (also known as profit and loss statement) shows your income, expenses and profit over a certain period. This is a snapshot of your business that shows if your business is profitable at this point. The main equation of the income statement is: income minus expenses equals profit or loss. Liabilities (AP): Liabilities are amounts due by the enterprise to suppliers, suppliers, landlords and other service providers. They shall be recorded as an obligation in the balance sheet. Receivables (ANALYSIS): Receivables are sums of money due to business from customers or customers for supplied goods and services. Because customers have a legal obligation to pay, the amounts are recorded as an asset on the balance sheet. Accruals: Accruals are income that is have not yet been formally entered in the books (as completed but not invoiced invoiced or costs that are incoming but not received (such as purchased but not yet invoiced). Assets: Assets are all of monetary value held by the business. Typical tangible business assets include land, buildings, equipment, cash, vehicles, receivables, etc. Intangible assets include client lists, franchise contracts, lucrative financial or leasing contracts, trademarks, patents, copyrights, etc. The assets are expressed in their monetary value in the balance sheets. Non-cost: Bad debts are borne when customers do not pay dues. They shall be recorded as expenses in the financial statements. Capital (also known as working capital): Working capital is money that a company has available to pay bills or reinvest. It is equal to the value of all current assets minus current liabilities and is considered a basic measure of the health of a business. Depreciation: Depreciation occurs as business assets such as cars and equipment drop in value over time due to usage or obsolescence. Depreciation is an important tax deduction – a percentage of the original value of the asset can be written off each year based on the depreciation rate. Dividends: Dividends are a distribution of part of the company's profits to business owners (shareholders). Dividends may be issued regularly or irregularly and may consist of cash or additional shares in the business. For tax purposes, the owner of the enterprise may prefer dividends over salary. Equity (also known as owner or shareholder shareholder): Equity is the amount of money invested in the company by the owners (shareholders), plus any unallocated (not paid to the owners) profits minus any liabilities or money taken in the form of drawings. Cost: Costs are costs incurred by the business to generate revenue. Costs can be fixed (such as rents or salaries) or variables – those that fluctuate depending on the sales or production cycle. Fiscal year: Fiscal year is the 12-month period, which represents the beginning and end of the annual financial reporting for a business. It does not have to correspond to the calendar year. For example, seasonal enterprises such as agriculture often use a fiscal year that ends in the autumn. Payables: Liabilities are financial obligations of the company, including salaries, income taxes, rents, utilities, interest and amounts due to suppliers. Liabilities may be short-term or long-term and are grouped into balance sheets in accordance with the classification. Income: Gross revenue of the business is the sum of all funds generated by the sale of goods and services, accrued interest, royalties, sale of assets, rental of property, etc., before subtracting costs. If you decide to do some or all of the own accounting, there are a number of cheap, easy-to-learn, cloud-based accounting packages for small businesses that can help you do some or all of the following: Create invoicesRecord costsBe used as POS (point of sale) systemsMake it To calculate, charge and monitor taxesPublic financial statements Software is not a substitute for having a solid understanding of the accounting foundations, though. If you are not familiar with these conditions, be sure to familiarize yourself with or consult an accountant to make sure that you can adequately assess the financial situation of your business. In accounting terms, the standard margin is a measure of profitability for a business not affected by one-off events, accidental and unpredictable events. Standard margin is used to measure the performance and value of a business from a purely internal point of view, while ignoring any positive unexpected or negative costs in the business environment. Standard margin is calculated only by subtracting standard costs over a certain period of time from sales and revenues over the same period. Standard costs exclude disposable costs and include only normal, expected costs. For example, standard costs include the usual electricity and rental bills, but do not include litigation payments. The measure of a healthy standard margin varies by industry and can range from three to over 100 percent of sales. The determination of a healthy standard margin is made by the owner of the business based on the industry. Standard margin is valuable for initial business planning (ensuring that the model is regularly profitable) and for long-term planning (ensuring the sustainability of the model). The standard margin may be an unrealistic measurement to measure the actual performance of an economic activity and take into account all aspects of the activity; no business can avoid unpredictable events, which very often have a significant impact on profitability. Double accounting is a system that monitors a company's finances by showing how assets and liabilities are streamed between different accounts. A two-time accounting account is an amount of amounts that the business owes or owes. When the amount is transferred from an account reflecting debt to an account reflecting an asset, the process of subtraction from the account is called debit, and the process of adding to another account is known as credit. Receivables is an accounting period describing amounts due to a business for transactions for which customers have not yet paid. If you invoice your customers and give them 30 days to pay for products or services, these transactions are recorded in your account to receive bills until they are paid. After the customer pays, the ledger entry is transferred from the receivables account to the sales account. Your receivables account is debited and your sales account is credited. Accounts due are an accounting period describing the list of financial obligations your business has accumulated that need to be paid in the near future. If you are buying materials from suppliers that offer terms such as payment, after 30 days, these unpaid amounts belong to your payment account. Once you have your payment account is debited when the transaction is transferred or credited to the account in which payments or purchases you have made are recorded. When your business makes a sale, double-entry accounting requires you to save this amount as a credit. However, each credit must be balanced with the relevant debit. This debit will be recorded as a receivable transfer, even if you received the payment immediately and never invoiced the customer. The logic of this convention is that at the time between negotiating or handing over the product to the customer, the money was owed to you and then paid to you. When your business makes a purchase, such as buying materials or consumables, the two-time accounting requires you to take the money out of another account to balance outgoing money from the purchase. Your business may have a cash or income account by hand or at the bank. Because you have spent some of this money on purchase, you debit the account in cash and credit to another account, such as inventory. Warehouse.