

BASIC FINANCIAL VOCABULARY

Being an entrepreneur is so much more than getting paid for your talents. It comes with a whole lot of jargon that can be confusing and overwhelming. Here is a quick rundown of some common financial terms that you should know.

Bookkeeping- Bookkeeping is the day to day categorization and organization of transactions, Bookkeepers can prepare financial statements, process invoices, and tune your chart of accounts to best serve your business.

Assets-Any item of economic value owned by an individual or corporation, especially that which could be converted to cash. Examples are cash, accounts receivable, inventory, office equipment, a house, a car, etc.

Liabilities-A financial obligation, debt, or claim. Credit cards, loans. etc

Profit and Loss Report- A financial statement that summarizes the income and expenses incurred during a specific period. Used to analyze change and growth. Often requested by banks and CPA's for loans and tax purposes.

Balance Sheet-Reports an entity's Assets, Liabilities and Equity (net worth) at a specific time.

Chart of Accounts-A list of financial accounts that breaks down your costs into digestible categories. These can be further subdivided in any way that helps your individual business track their costs and income. For example, if you have rental property income, There would be a RENTAL INCOME category that could be broken down into subcategories for each unit.

Cost of Goods Sold (COGS)-The cost of all the goods you need to produce your product. For a service based business, this could include subcontractors as well. Software, printing and other expenses you incur as a result of delivering your product / service are examples of some things that may be included.

Net Income / Gross Income-Gross income is the total of all money coming in through services or sales of product. Net income is the bottom line income after subtracting the cost of goods sold.