



Accounting Definitions

Expenses	The costs incurred by business to generate revenue
Cost of Goods sold (COGS)	The cost of producing the goods or services that the business sells (example: cost of raw materials to produce the products)
Operating Expenses	The cost of running the operations of the business (examples: salary, rent)
Non-operating expenses	Expenses not directly related to day to day operations (example: interest payments)
Revenue	Income generated from the business by selling it's products or services
Profits	Amount of money that a business makes once all expenses are deducted from the revenue
Gross Profit (also known as Gross Income)	The amount remaining after deducting cost of goods sold from revenue
Operating Profit (also known as Operating Income)	The amount remaining after deducting operating expenses from gross profit
Net Profit (also known as Net Income)	The amount remaining after deducting all expenses including interests and taxes. It is often referred to as the 'bottom line.'
General Ledger (also known as GL)	A complete bookkeeping collection that records all of a company's financial transactions over it's lifetime
Chart of accounts	Is a hierarchical list of accounts that are used to categorize and track the financial transactions of a company. Each account in chart of account has a unique number and name
Assets	Things owned by the company such as equipment, cash, inventory, vehicles, real estate and even intangible items such as intellectual property
Liabilities	These is the amounts or debts owed by the company such as accounts payable and loans
Cash Flow	Indicates the movement of money into and out of the business. Cash flow is different than net profit. Companies can have positive cash flow but negative net profit
Reconciliation	Is the process of comparing the balances in a company's general ledger with the balances on its bank statements to ensure they agree and ensuring the accuracy of financial records
Current ratio	Talks about how a company's ability to pay its short-term debts. It is calculated by dividing the company's current assets by its current liabilities
Accounts Receivable	Amounts owed by the customer to the company for products and services that have been invoiced
Accounts Payable	Amounts owed by the company to it's suppliers and other creditors