



Bookkeeping Terminology

Accounts Payable

An account that tracks the money a company owes to its vendors, contractors or others who provide good and services to the company.

Accounts Receivable

An account that tracks individual customer accounts, listing the money that customers owe the company for the products or services they've purchased.

Assets

Items a company owns, such as buildings, inventory, tools, equipment, vehicles, etc. But it also includes copyrights, patents, etc.

Balance Sheet

The financial statement that gives you a snapshot of a company's assets, liabilities and shareholders' equity as of a particular date.

C Corporation

A legal entity formed for the purpose of operating a business and to limit the owners' liability for actions the corporation takes.

Capital Gain

The profits a company makes when it sells an asset for more than it originally paid for that asset.

Cash Flow

The amount of money that moves into and out of a business.

Chart of Accounts

A list of all a company's open accounts that the accounting department can use to record transactions.

Cost of Goods Sold

A line item on the income statement that summarizes any costs directly related to selling a company's products.

Depreciate

To reduce the value of a tangible asset by a certain percentage each year to show that the asset is being used up.

Expenses

Any costs not directly related to generating revenues. They fall into four categories: operating, interest, depreciation and taxes.

Income Statement

A document that shows a company's revenues and expenses over a set period of time; an income statement is also known as a profit and loss statement or P&L.

Liabilities

Money a company owes to its creditors for debts such as loans, bonds and unpaid bills.

Operating Expense

Any expense that goes into operating a business but isn't directly involved in selling the product, such as advertising, dues and subscriptions or equipment rental.

Partnership

A business that's owned by more than one person and is not incorporated.

Sole Proprietorship

A business started and owned by an individual that's not incorporated.