



ACCOUNTING CATEGORY GLOSSARY

This is a non-exhaustive list of useful terms to know for your category.

Accounting - the process of recording, analyzing and reporting the results of financial activities

Accounting cycle - the 8 step process of accounting

Accounts Receivable - Cash that has been earned but not yet been received

Asset - A tangible or intangible item of value to an individual or company (ex: cash, patents)

Audit - An examination of a party's finances to ensure compliance with financial regulations

Balance sheet - A financial statement used to determine a company's worth at a particular point in time

Credit/Debit - Two sides to journal entries in accounting, debit is on the left, credit is on the right

Expense - Cost incurred by a person or company

Income statement - A financial statement used to determine a company's net income over a specified time period

Liability - An economic obligation owed by one party to another (ex: loans, mortgages)

Ratios - Useful indicators to measure and compare financial performance of businesses

- Popular ratios include:

- Current ratio (Current assets \div Current Liabilities)
- Inventory turnover (COGS \div Avg Inventory)
- Return on Investment (Net Profit \div Total Investment)

Revenue - Income generated by a person or company, can be from various sources

