ILuvAccounting

Accounting Terms Glossary

The essential vocabulary, in plain English — no jargon, no textbook definitions.

Accrual Accounting
Recording income and expenses when they're earned or incurred, not when cash actually changes hands.

Accounts Payable (AP)
Money your business owes to vendors or suppliers for goods/services already received.

Accounts Receivable (AR)
Money owed to your business by customers for goods/services already delivered.

Accrued Expense
An expense you've incurred but haven't paid or recorded an invoice for yet.

Asset
Anything the business owns that has value — cash, equipment, inventory, receivables.

Balance Sheet
A snapshot of assets, liabilities, and equity at one point in time.

Cash Flow
The actual movement of cash in and out of the business — different from profit.

Chart of Accounts
The master list of every account your business uses to categorize transactions.

COGS
Cost of Goods Sold — the direct cost of producing what you sold (materials, direct labor).

Credit
An entry that increases liabilities, equity, or revenue (or decreases assets/expenses).

Debit
An entry that increases assets or expenses (or decreases liabilities, equity, revenue).

Depreciation
Spreading the cost of a long-term asset over its useful life instead of expensing it all at once.

Equity
What's left for the owner(s) after subtracting liabilities from assets.

Expense
The cost of running the business — rent, payroll, marketing, utilities, and similar.

Fiscal Year
The 12-month period a business uses for financial reporting — doesn't have to match the calendar year.

Fixed Asset
A long-term physical asset like equipment, vehicles, or property, expected to last over a year.

GAAP
Generally Accepted Accounting Principles — the standard rules for financial reporting in the U.S.

General Ledger
The complete record of every account and every transaction in the business.

Gross Margin
Gross Profit divided by Revenue — how much you keep after direct costs.

Income Statement (P&L)
Reports revenue, expenses, and profit over a period of time.

Journal Entry
The record of a single transaction, showing which accounts were debited and credited.

Liability
Something the business owes — loans, credit cards, unpaid bills.

Net Income
Revenue minus all expenses — the bottom line, what the business actually kept.

Overhead
Ongoing operating costs not directly tied to producing a specific product or service.

Retained Earnings
Cumulative profit the business has kept (not distributed to owners) since it started.

Revenue
Money earned from selling goods or services, before any costs are subtracted.

Trial Balance
A report listing every account balance, used to confirm total debits equal total credits.

Working Capital
Current Assets minus Current Liabilities — a measure of short-term financial health.