7 Accounting Terms
Every Business Owner Should Know

Profit & Loss Account
Usually prepared for a 12 month period, this shows the company's day-to-day income & expenses. This shows how well your company has done in it's trading; your Corporation Tax calculation is based on your P&L account.

VAT
Government tax, currently 20% on most items, goods & services in the UK. VAT is payable to HMRC every 3 months. The amount payable is the difference between the VAT on your Sales (Input Tax) and the VAT charged by your Suppliers (Output Tax)

Cash Flow
The difference between money you collect from Sales or Receivables and money you pay out to suppliers or payables.

Balance Sheet
A cumulative roll-up of the company position. Usually prepared for the company year end, it contains information about the trading and financial position of the company.

Fixed Assets
Items that the company purchases which you expect to use for more than 1 year. Typical examples are computers or laptops.

Receivables
Money that is due to you from your customers. Usually the sales you make on credit terms. Usual terms are 7 days, 14 days or 30 days. Allows you to track who owes you money.

Payables
The opposite of receivables. This is money that you owe out to suppliers where you buy on credit. This will show you what cash is due out from the company.