# Financial Report and General Accounting Definitions

**Balance Sheet:** A financial report that shows the financial position of a company at a given time in terms of assets, liabilities and owner's equity. It allows the business owner to view the total resources of the firm. Assets = Liabilities + Owner's Equity.

**Profit & Loss Statement:** This is also known as the Income Statement. The Profit and Loss Statement, which lists the revenues and expenses, shows the results of operations for a period of time and the results are reflected in the owner's equity on the balance sheet. When total revenues exceed total expenses, the result is net income.

**Statement of Cash Flow:** This statement is created in order to show a summary of the transactions that have affected the cash holdings of the organization during a certain period. Details the inflows and outflows of cash and can have both Profit & Loss and Balance Sheet accounts on the report.

**General Ledger:** A General Ledger is a complete record of financial transactions. It includes transaction details for assets, liabilities, equity, revenue and expenses. The General Ledger holds account information that is needed to prepare financial statements.

**Chart of Accounts:** A list of all the account titles (business resources) in a general ledger. Account titles are grouped by type: assets, liabilities, equity, revenue, and expenses.

**Assets:** Part of the Balance Sheet. Assets are items owned by the company. Assets include cash, accounts receivable, inventories and plant and equipment. Assets are usually recorded at their acquisition price.

**Liabilities:** Part of the Balance Sheet. Liabilities are items that the company owes. They are present obligations resulting from past transactions that require the firm to pay money or provide services in the future. Liabilities represent creditor's claims on the assets of the business. Liabilities include accounts payable, loans, credit card balances, unpaid sales and payroll taxes.

**Equity:** Part of the Balance Sheet. Equity is the difference between what you have (assets) and what you owe (liabilities).

**Cash vs. Accrual Basis:** These are bookkeeping methods that determine how you report income and expenses. If you use the cash basis accounting, you report incomes and expenses only when funds are actually received or disbursed. With the accrual basis, you report income when earned and expenses when they are incurred.

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