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Essential Financial Terms

Business Cheat Sheet

The plain-English guide to the numbers language every business owner needs to know

Profit	Sometimes called the bottom line. Profit is the excess of a business's income over its expenses for a period — the number that tells you whether your business is actually working.
Income	The top line. All money earned by the business — from selling products or services (revenue), interest, or other sources.
Expenses / Costs	Everything a business spends in a period — cash costs like supplies, and accounting costs like depreciation.
Revenue / Sales	Income specifically from selling your normal goods or services. 'Revenue' and 'sales' are interchangeable.
Cost of Goods Sold (Cost of Sales)	The direct costs of producing or delivering what you sell — materials, supplies, delivery. Marketing and banking costs are not cost of sales; they're operational costs.
Gross Profit	Revenue minus cost of goods sold. Your 'top profit' — what's left before operational costs are deducted. A business should always be profitable at gross profit level.
Net Profit	All income minus all expenses. Your 'bottom profit' — the real bottom line after everything is accounted for.
Operating Profit	Sits between gross and net profit depending on how expenses are categorised. Sometimes the same as net profit.
Payables (Creditors)	Suppliers you owe money to — goods or services received but not yet paid for. You owe payables.
Receivables (Debtors)	Customers who owe you money — goods or services delivered but not yet paid for. Receivables owe you.
P&L; — Statement of Profit & Loss	Shows business performance over a period. Lists all income and expenses to give you a profit or loss figure. Your trading scorecard.
Balance Sheet — Statement of Financial Position	Shows business position at a point in time. Lists everything the business owns (assets), owes to others (liabilities), and owes back to owners (equity).