



ASSOCIATION OF  
CHAMBER OF COMMERCE  
EXECUTIVES

## Glossary of Common Financial Terms

**Accounts Receivable:** Money owed to you by clients or other payers for services you have performed. Accounts Receivable is a current asset that can be found on your Balance Sheet.

**Assets:** The total resources with monetary value owned by an individual or a business. They include things such as cash, stocks and bonds, real estate equity, money you are owed, and any property that could be sold. Assets can be found on your Balance Sheet.

**Balance Sheet (also known as statement of financial condition or statement of financial position):** An itemized financial statement that lists assets, liabilities, and equity. A Balance Sheet represents your practice's overall financial position at a given point in time.

**Current Assets:** Assets that are expected to be turned into cash, sold, or consumed during the coming year. Current Assets include cash, accounts receivable, short-term investments, inventory, and prepaid expenses. Current Assets can be found on your Balance Sheet.

**Current Liabilities:** Amount to be paid within one year for salaries, accounts payable, interest, and other debts. Current Liabilities can be found on your Balance Sheet.

**Depreciation:** The amount of expense allocated during a specific time period for certain types of assets that lose their value over time - for example, building and equipment. Depreciation helps a business reduce its taxable income by writing off the cost gradually over the life of the asset. It is an accounting expense, meaning that it is not an expense requiring an outlay of cash. Depreciation can be found on your income statement.

**Equity:** The amount of your practice's total assets you actually own (i.e., not financed with debt). Depending on the legal model and ownership of your practice, equity may be referred to as net assets, shareholder's equity, or proprietor's net worth. Equity can be found on your Balance Sheet.

**Expenses:** The costs associated with providing services and running your practice over a period of time. Expenses can be found on your income statement.

**Fixed Assets:** Long-term assets that are not expected to be turned into cash, sold, or consumed during the coming year. Fixed Assets include buildings, land, equipment, and certain types of furniture. Fixed Assets can be found on your Balance Sheet.

**Fixed Costs:** Expenses that remain the same regardless of production output. Whether a firm makes sales or not, it must pay its fixed costs, as these costs are independent of output. Examples of fixed costs are rent, employee salaries, insurance and office supplies.

**Income Statement** (also known as statement of operations, profit and loss statement, or statement of earnings): A financial statement that shows your revenues, expenses, and profit over a specific period of time.

**Long-term Liabilities:** Amounts owed for debts that will not become due for at least one year. Long-term Liabilities can be found on your Balance Sheet.

**Marketable Securities:** Stocks, bonds, and other investments that have enough demand to be converted to cash or sold quickly. Information about marketable securities can be found on your Balance Sheet.

**Net Accounts Receivable:** Total accounts receivable, minus an estimate for uncollectibles. Accounts Receivable can be found on your Balance Sheet.

**Net Income:** The difference between total revenue and total expenses. Net Income is the same as Net Profit and reflects your revenues adjusted for the cost of running your practice, depreciation, interest, taxes, and other expenses. Net Income can be found on your income statement.

**Non-Operating Revenue:** Revenue generated by things that are not directly related to the services you offer. Non-operating revenue includes things such as interest income, gains and losses, and other non-operating transactions. Non-operating Revenue can be found on your income statement.

**Operating Revenue:** Revenue generated from the day-to-day operations of your practice. Operating Revenue can be found on your Income Statement.

**Profit (also known as net income or earnings):** The amount of money your practice makes after paying operating expenses, taxes, and other current expenses. Profit can be found on your Income Statement.

**Revenue:** Money collected or that you expect to collect for providing services. Revenues can be found on your Income Statement.

**Total Assets:** The sum of your practice's current and fixed assets. Total Assets can be found on your Balance Sheet.

**Total Liabilities:** The sum of your practice's current and long-term liabilities. Total Liabilities can be found on your Balance Sheet.

**Total Revenue:** Sum of operating and non-operating revenue. Total Revenues can be found on your Income Statement.

**Uncollectibles:** An account that cannot be collected because the client or payer is not able or willing to pay. For financial calculations, such as Days Cash on Hand, consider using an estimate of uncollectibles based on historical data about the average percent of receivables you are typically unable to collect.

**Variable Costs:** A corporate expense that changes in proportion with production output. Variable costs increase or decrease depending on a company's production volume; they rise as production increases and fall as production decreases.