

# THE ACCOUNTANCY JARGON CHEAT SHEET

Too many accountants use words and jargon that business owners just don't understand (and don't really need to!). So we've put this cheat sheet together so you know what they mean!

**g CT600** - Corporation tax computation. This is the tax return that has to be completed for HMRC, breaking down your accounts and working out the corporation tax liability.

**g SA100** - This is the main Personal tax return form

**g SA302** - Is a brief summary of the personal income that has been reported to HMRC on the SA100.

**g P11D** - Any benefits that a person receives from a company, need to be detailed on a P11d for HMRC to know the value.

**g PAYE** - Pay As You Earn - This is a payrolled employee, tax and National insurance are paid in the frequency of the payroll.

**g Dividends** - Only shareholders can take dividends from a company, dividends is the money that shareholders can take out of the net profit, after corporation tax has been accounted for.

**g Gross Profit** - This is the profit the company has made after all direct costs have been deducted.

**g Net Profit** - This is the profit the company has made after all overheads have been deducted from the gross profit.

**g Profit & Loss statement**- This details all income and expenditure for the entire trading year for the company.

**g Balance sheet** -The balance sheet is a snapshot look at a company's assets and liabilities that are held on the last day of the trading year.

**g Trial Balance** - A trial balance is a combination of the profit and loss account codes and the balance sheet codes. A Trial balance will also include the accounts that are not included in the statutory accounts eg: dividends.

**g Statutory Accounts** - These are the Profit & loss, Balance sheet and Detailed profit & loss, for the trading year of the company.

**g Abridged Accounts** - The statutory accounts are for you and whoever you wish to share them with, the Abridged version is the set that is filed to Companies House. They will only contain the company information and the balance sheet, Companies House do not require the Profit and loss account for small or micro companies.

**g Directors Loan account** - Throughout the year, when a director takes money out of the company, it is put to the directors loan. When they pay for expenses personally, these too are put to the loan account. At year end this balance is tallied and declared in the accounts.

**g Fixed asset** - A purchase of an item that costs over £100 and is to be used for more than a year within the company and to its benefit eg: Laptop, van, desk etc

**g Depreciation** - When a company purchases a fixed asset, its reasonable life is estimated and the asset is devalued over that period of time.

**g Capital allowances** - When the figures are broken down for the CT600, the depreciation is disallowed. However you can claim capital allowances instead. These can range from 100%, 18% or 6% of the value depending on the asset.

**g Stock Turnover** - How long it takes to sell your stuff

**g FRS105** - Is the accounting standard that Micro entity accounts can be prepared under. Micro is defined as Companies with a turnover under £630,000, a balance sheet total of under £316,000 and no more than 10 employees.

**g FRS102** - For those who do not fall under the above criteria - FRS102 is the accounting standard that needs to be applied when preparing the financial statements.

**g EBITDA** - Earnings before interest, tax, depreciation and amortization. This is the profit made purely from trading activities.

**g Cash Burn Rate** - When you will run out of cash

**g Accruals** - An accrual is an expense that you know, and is related to the year, is coming but may not have had the bill for yet by the time the year end comes around. Eg: an employee bonus. An accrual for this expense will be included in the accounts to allow for it.

**g Overheads** - Costs that you have to meet each month - ie rent, telephone, internet etc

**g Prepayment** - This is an expense that is included in the profit and loss account but some of it may relate to the next year. Eg: Business rates - the bill is for 12 months, but 6 months of that belongs to the next year. A prepayment entry will be made to reflect this.

**g Break Even Point** - The sales you need to cover all of your expenses

**g Cash Flow** - This is the cash that flows into and out of your business account - so the cash you receive and pay out. A cash flow forecast uses information in your accounts to predict when you will have money in your account and when you are likely to be a little low on funds and may need help to pay your bills

**g Retained earnings** - When a company makes a profit, if not all is taken by the shareholders in the form of dividends, then this profit is carried forward and is called retained earnings which can be drawn on at a later date.

**g Debtor Days** - How long it takes to be paid

**g Advisory** - A service where accountants provide information to help advise a business owner to plan for the future