ACCOUNTING CHEATSHEET

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Basic Accounting Terms

1. Assets
Resources owned by a business that have economic value (cash, inventory, equipment).

2. Liabilities
Obligations the company owes to outsiders (loans, accounts payable).

3. Equity
The owner's interest in the company, calculated as Assets - Liabilities (retained earnings, common stock).

4. Revenue
Income earned from the sale of goods or services.

5. Expenses
Costs incurred in earning revenue (rent, salaries).

6. Net Income
Profit after all expenses have been deducted from revenue (Net Income = Revenue - Expenses).

Accounting Equation: Assets = Liabilities + Equity

Financial Statements

Balance Sheet

Shows a company's financial position at a specific point in time.

Assets	Listed as current (cash, inventory) and non-current (property, equipment).
Liabilities	Listed as current (accounts payable) and long-term (loans).
Equity	Includes common stock, retained earnings.

Income Statement

Shows the company's performance over a period (e.g., month, quarter, year).

Revenue	Sales, service income.
Expenses	Cost of goods sold (COGS), operating expenses, interest, taxes.
Net Income	Revenue - Expenses.

Cash Flow Statement

Shows cash inflows and outflows from operating, investing, and financing activities.

Key Accounting Principles

Accrual Basis
Revenue and expenses are recognized when they are earned or incurred, not when cash is exchanged.

Consistency
Use the same accounting methods and principles from period to period.

Going Concern
Assume the business will continue to operate indefinitely.

Matching Principle
Match expenses with revenues in the period in which they are incurred.

Prudence
Report expenses and liabilities as soon as possible, but only recognize revenues when they are assured.

Double-Entry Bookkeeping

Every financial transaction affects at least two accounts, and the accounting equation must always balance.

Assets	Debit to increase, Credit to decrease.
Liabilities	Debit to decrease, Credit to increase.
Equity	Debit to decrease, Credit to increase.
Revenue	Debit to decrease, Credit to increase.
Expenses	Debit to increase, Credit to decrease.

Common Accounts

Assets
Cash, Accounts Receivable, Inventory, Prepaid Expenses, Equipment.

Liabilities
Accounts Payable, Short-Term Debt, Long-Term Debt, Accrued Liabilities.

Equity
Common Stock, Retained Earnings.

Revenue
Sales Revenue, Service Revenue.

Expenses
Rent Expense, Salaries Expense, Utilities Expense, Depreciation Expense.

Key Ratios

Current Ratio
Measures liquidity (Current Assets / Current Liabilities).

Quick Ratio
Measures liquidity without inventory (Quick Assets / Current Liabilities).

Debt to Equity Ratio
Measures financial leverage (Total Liabilities / Equity).

Gross Margin
Measures profitability (Gross Profit / Revenue).

Net Profit Margin
Measures overall profitability (Net Income / Revenue).

Depreciation Methods

Straight-Line
(Cost - Salvage Value) / Useful Life.

Declining Balance
Book Value at Beginning of Year x Depreciation Rate.

Units of Production
(Cost - Salvage Value) / Total Units x Units in Period.

Journal Entries

Recording transactions in the journal, with debits on the left and credits on the right.

Example
- Buying equipment for cash.
- Debit Equipment (Asset), Credit Cash (Asset).

Closing Entries

Transfer balances from temporary accounts (revenue, expenses) to permanent accounts (retained earnings) at the end of the period.

Example
- Closing a revenue account.
- Debit Revenue, Credit Retained Earnings.

Adjusting Entries

Made at the end of the period to allocate income and expenses to the period in which they actually occurred.

Example
- Accrued Salaries.
- Debit Salaries Expense, Credit Salaries Payable