Financial Misstatements

First-time startup CEOs make a lot of mistakes, mostly due to ignorance.

One particularly bad one is misunderstanding or misusing basic financial terms. I started noticing this in Y Combinator applicants a couple of years ago, but see it now in startups at all stages (including some YC companies).

It is very important to make accurate financial statements to investors, and it is well worth the time it takes to learn the difference between concepts like "revenue" and "GMV" (gross merchandise volume) and revenue from a "contract" or "LOI" (letter of intent). Most terms have very specific definitions, and it's well worth a little bit of time learning what these are. When in doubt, you will never get in trouble for defining the way you're using a financial term too precisely.

I've seen people use GMV for revenue or refer to an LOI as a contract many times in the past year when talking to investors. This is a felony.

Although investors should be doing more diligence than is currently in fashion, this issue is on the founders to fix.