

Key accounting terms

Customer

Someone to whom you have sent a (sales) invoice for your goods or services.

Debtor

A customer to whom you have sent out a (sales) invoice and which currently remains unpaid or outstanding in Xero/QuickBooks.

Supplier

Someone from whom you have bought goods or services and have (should have) received an invoice from.

Creditor

Someone from whom you have (should have) received an invoice from, but which remains unpaid in Xero/QuickBooks.

Expenses vs invoices

an expense is an 'out of pocket' minor cost that is paid by debit card/personally, is generally non VATable and doesn't generate a formal invoice'. An invoice is a formal document received from a VATable supplier for a larger business cost, and generally paid within credit terms (14/30 days), or sometimes by credit card.

Reconciliation (bank, PayPal etc.)

this is where all the transactions in a bank (or similar) account have been (accurately) input into Xero/QuickBooks and the balance on the account in Xero/QuickBooks matches that of the bank statement.

Directors loan

this is where monies are taken from a company bank account to, or for the benefit of, that director, and these monies are not specifically for the payment of salary or dividends.

Profit & loss

this is the key financial report that reflects all of the 'day to day' business income and costs that have been input into Xero/QuickBooks for the month/quarter/year to date, and indicates whether the business is making a profit or loss.

Making tax digital

this is HMRC's ongoing project, which will progress from VAT returns (which it covers now) through to all business and personal taxes, and which will compulsorily require all companys' and individuals' information to be linked with and/or submitted directly to HMRC via accountancy software (such as Xero/QuickBooks).