

These are items owned by the business for the long term.

Fixed assets

These are items owned by the business in the short term.

Current assets

Current assets less current liabilities.

Working capital

The fall in value of a fixed assets to allow for replacement of the item at some time in the future.

Depreciation

What the owner of a business takes out of the business for his personal use – this can be cash but might also be items of stock.

Drawings

The money owner/s have invested in the business at the start of the accounting period.

Opening capital

The difference between revenue earned after cost of sales and expenses have been deducted.

Profit

Items owed by the business in the short term (less than 12 months).

Current liabilities

All the assets minus all the liabilities.

Net assets

Money borrowed from the bank for a period of over one year.

Long term bank loan

Suppliers you owe money to. You've purchased stock and not paid for it.

Creditors

Customers who owe you money. You've made a sale to them which they haven't paid for.

Debtors

Money that is owed to the bank which has been borrowed on a short term basis only.

Bank overdraft

This is one example of a fixed asset.

Motor vehicle

A bill that you have paid in advance – for example this could be for rental of the telephone.

Prepayment

An unpaid bill, for example for gas or electricity.

Accrual

A financial statement showing what a business owns, owes and how it is financed.

Balance sheet

Assets are £67,000, liabilities are £45,000, so what is the net assets figure?

£22,000

Current assets are £12,500, current liabilities are £7,800, so what is the working capital figure?

£4,700

Cost of motor vehicles is £26,900, accumulated depreciation is £10,000, so what is the net book value of motor vehicles?

£16,900