

# Financial Optics Releases Guide on Accounting Terms Every Small Business Owner Should Know

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/EINPresswire.com/ -- Financial Optics has released a [guide on accounting terms](#) every small business owner should know. Whether the owner is doing accounting in-house or outsourcing it, they should know some accounting terms that they can use to discuss business strategy with their financial advisor.



Owners who know and understand accounting terms can use that to their advantage when looking at the financial status of their business. They can analyze their financial statements to understand which investments are paying off and which things may need to be adjusted. It can help them understand which products or services are doing well and potentially use that to invest in other projects that would be of interest to their customer base.

Ten accounting terms that small business owners should know include:

- **Accrual Accounting:** A method of tracking revenues and expenses as they happen rather than when the payment occurs.
- **Income Statement:** Details the company's net profit for a period minus all expenses.
- **Financial Statement:** A collection of reports for tracking financial transactions, including the balance sheet, profit and loss (P&L) or income statement, and cash-flow statement.
- **Balance Sheet:** This documents all assets, liabilities, and shareholder's equity.
- **Cash Flow:** This shows the timing and amount of cash coming in and out of the business.

- **Cash-Flow Forecast:** These statements analyze the projected income and expenses to see the potential amount of money that will move through the business.
- **Gross and Net Profit:** Gross profit is the profit made after subtracting the direct cost of production, while the net profit is the profit after paying all operating expenses.
- **Marginal Costs:** This shows the difference in profit made by selling more than one unit.
- **Burn Rate:** This is how long the business can cover the operating costs using the cash in and without generating positive cash flow from operations.
- **Break-Even Analysis:** This is when an analysis takes place when the income matches the expenses of the business or specific product or services.

[Financial Optics positions](#) small businesses for sustainable growth. This virtual accounting firm offers outsourced small business accounting and small business bookkeeping to help minimize costs and get the best results. They provide financial advice and virtual CFOs for small business owners looking to grow.

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