

PEACH PERFECT FINANCIALS

THE
ACCOUNTING
GLOSSARY
FOR
BLOGGERS

Hi There

Welcome to your blog's accounting glossary! If you've found yourself here then my guess is you've stumbled upon a big scary financial word and you have no idea what to do with yourself (happens to us all).

The good news is, I speak both *food blogger* and *accountant* which means I can help describe commonly used accounting words in normal, everyday terms that are easy to understand. If this sounds like **the best thing ever**, then go ahead and keep this glossary in a safe place on your computer so you can pop it open whenever you come across one of those weird words again.

I have a love of small businesses and firmly believe understanding your business finances is critical. My hope is that this glossary will help bridge the gap between food bloggers and accountants and make the financial side of your business a little easier to navigate!

Now go kill it!

Ansley

A

Asset - An asset is a good thing. It's something you own for your blog business such as your computer or your camera. Cash in your bank account is also a business asset. It can also be in the form of money owed to you for work you've completed as a blogger. For example, client invoices that haven't been paid yet are funds to be "received". It's cash that is coming. These are also assets and they are called Account Receivables. (see Account Receivables)

Accounts Payable - Accounts Payable (also shortened sometimes to just A/P), are fancy words for the total amount of bills that you owe. As a blogger, you'll have to spend money to make money so you will have bills for supplies or services you use in your business.

Accounts Receivable - Once you've grown your blog business to the point of getting paid for your creativity or "monetizing" it - you've started making money! You sent a client an invoice for your work. Congratulations - you have an Account Receivable!

B

Balance Sheet - A Balance Sheet is an important financial report, but it can be overwhelming. It tells you the value or health of your business. It pulls together what you own...aka Assets and what you owe...aka Liabilities. Total Assets - Total Liabilities = Net Worth or the current value of your blog business.

Business Checking Account - Once your blog grows from being a hobby to a business, it's critical to keep your personal money separate from your business money by opening a business checking account. Most local banks require you to have an Employer Identification Number (EIN) to open a Business Checking Account. Having a business checking account makes keeping track of revenue and expenses so much easier, allows you to run reports to analyze your business and makes tax time a breeze!

Business Credit Card - Your blog needs its own credit card to track business expenses and keep them separate from personal expenses. Many of your blog expenses - like grocery items, software subscriptions or photo props are already paid via credit card. You don't receive a specific bill for them. But separating

personal items from business items on a credit card statement at the end of each month – or, heaven forbid, after many months when you’ve gotten behind and you can’t quite remember what you bought and when – can become frustrating and you could miss a valid business expense.

Bill – A bill is money you owe to a vendor for the services or supplies you bought for your business. It’s a Debt for your business and is shown on the Balance Sheet report in the Liability section.

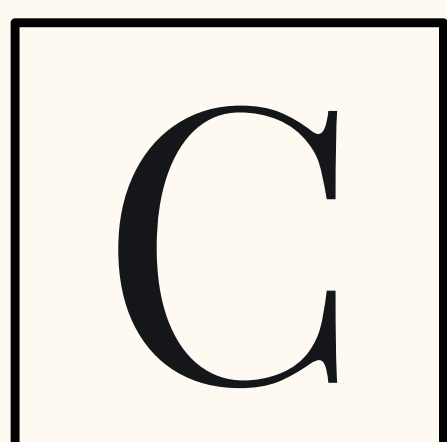
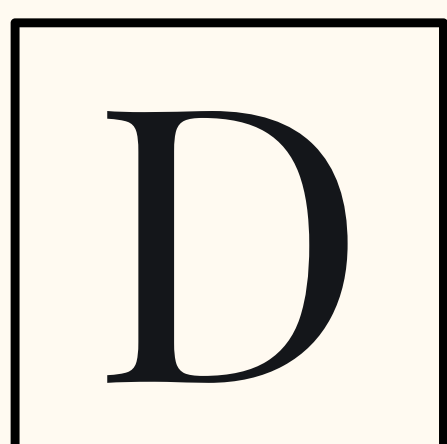


Chart of Accounts – The Chart of Accounts (COA) sounds big and scary, but it’s really not. Think of it as a list of buckets that you assign to your business transactions. You can then create reports that show the amounts assigned to each bucket. Money coming IN-to your business is Income. You could have several Revenue Buckets – such as Sponsored Content, Ad Revenue or Freelance Work. It’s very helpful to split out the different revenue types so you can really see what areas are most succeeding. Money going OUT of your business are Expenses. Expense Buckets might look like Grocery Supplies, Software Subscriptions, Website Hosting, Office Supplies, etc. It’s also important to track the various ways you’re spending your money so you can decide if that expense is really helping you generate more revenue.



Debt – A debt is money that you owe to a credit card company or supplier. It’s listed under the Liability section on the Balance Sheet report. As the saying goes – “You have to spend money to make money”, but you still need to watch how much you spend.



Employer Identification Number (EIN) – You know you have a “business” when you apply for an Employer Identification Number. While you may be the only “employee”, it’s still a business and just like your business name introduces you to the world, the EIN uniquely identifies you to the Internal Revenue Service (IRS) and other government agencies. Congrats! You’ve gone from hobby to business with an EIN. Registering for

an EIN allows you to define your business for tax purposes too.

Equity - As the owner of your blog business you have “equity” in the business. This is the Value of your business and is calculated as follows: Total Assets - Total Liabilities = Total Equity. A positive number is GREAT! It means your business is successful and has value. Negative Equity means you have too many Liabilities or Debt.

Expense - Money going OUT of your business is an Expense. As a Food Blogger typical expenses might be Grocery Supplies, Software Subscriptions, Website Hosting, Office Supplies, Photo Props, etc.

G

Gross Income - At first glance you might think this is a bad thing, but “gross” in this sense is a good thing! Your Gross Income for your business is the total amount of money you receive from client engagements before any business related expenses are deducted. Personally, your Gross Income is your total salary amount before insurance, taxes or other deductions.

I

Income - Money coming IN-to your business from a client engagement is Income or Revenue.

Income Statement - Income Statement is a financial report that is also called a Profit and Loss Statement. See Profit & Loss Statement below.

Invoice - An invoice is a document you send to your client that outlines the money they owe you for your deliverables - your photos, recipe development or blog post, for example.

K

K-1 - A Schedule K-1 is an IRS tax document that you will receive from your tax preparer, if you elected to incorporate as an S Corporation, that reflects the income or losses you achieved from your blog business for that year. It will be used to prepare your taxes.

L

Liabilities - A liability is a debt. It's something that you owe. A bill or credit card balance are examples of a business liability and will be reflected on your Balance Sheet.

N

Net Income - Your Net Income is also referred to as your Profit. It's the amount of money left over after subtracting business expenses from your Gross Income and is reflected on your Profit and Loss Statement. Your Net Income is the amount of money your blog business made and will be the amount you are taxed upon.

O

Owner Draw - An Owner Draw is the amount of money that you, as the business owner, deduct from the business for personal use. While it's like a salary, which is a valid business expense, an Owner Draw is NOT a business expense that would be reflected on the Profit and Loss Statement. An Owner Draw effects your Equity in the business and is reflected on the Balance Sheet.

P

Payee - The Payee is the person or business that you are paying - maybe by writing a check or using a credit or debit card. Once your blog business outgrows your spreadsheet and you move your business into accounting software like Quickbooks Online (QBO), it's important to always identify the Payee on an expense so you can keep track of the total amounts paid to a specific vendor.

Profit – Your profit is the financial gain or loss achieved by your business and is the difference between the amount you earn (Revenue) and the amount you spend (Expenses) while operating your business.

Profit & Loss Statement – This is your business Report Card. It tells you how much money you are making (Revenue) and the total amount of money you're spending (Expenses). Take the guess work out of the question – "How much money have I made this year from my blog business?" – by having a solid Profit and Loss Statement that tells you all that you need to know.....and makes filing your taxes a breeze.

R

Revenue – Money coming IN-to your business from a client engagement is Revenue or Income.

S

Sole Proprietorship – You may decide to run your blog business as a Sole Proprietorship. It is the simplest business to form and to operate. This means it is an unincorporated business with just one owner and you will pay personal income taxes on the profits earned from your business.

S-Corporation – For tax benefits and legal protections you may decide to incorporate your blog business as an S Corporation. This is sometimes referred to as Subchapter S. For tax purposes being an S Corporation allows you, as the Shareholder, to avoid paying corporate taxes and allows you to pass through your business income or loss to your personal tax return and personal tax rate.

T

Tax – The amount of money your business will owe the IRS. The amount owed is based upon the Net Income of the business.

Terms – Your terms will be the period of time, or grace period, you will allow your clients to pay your invoice. You might ask them to pay immediately – Due Upon

Receipt. Or you may provide Net 15 or Net 30 terms that provide them 15 or 30 days to pay you after receiving your invoice.



Vendor - A vendor is a person or business that you pay to provide supplies or services in order for you to operate your business.

