CV Bookkeeping
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FREE CHEAT SHEET · PLAIN ENGLISH

Bookkeeping words, *in plain English*

The words that come up when you talk to a bookkeeper, an accountant, or CRA, and what each one actually means. Keep it beside you and look things up as you go.

A promise: you do not need to learn any of this to run a good business. You do deserve to understand your own numbers, and that starts with the words.

Money coming in

Accounts receivable, or AR

Work you have done that has not been paid for yet. Money owed to you.

Income or liability

Money coming in is not always income. Payment for work you have done is income. A deposit for a future appointment, a gift card you sold, a loan, or the sales tax you collected is a liability: you still owe the work, the product, or the money, so it is not profit yet.

Payout

Money from Jane, Vagaro, Stripe, Square, or Moneris usually arrives as one lump for several appointments, with their fee already taken off. It is why your bank never matches your appointment list.

Payment processor

Whoever takes your clients' card payments. Each one you use is another set of payouts and fees to match up.

Reconcile

Checking every line in your books against your bank or card statement, so nothing is missed and nothing is counted twice. It is the main thing a bookkeeper does every month.

Money going out

Accounts payable, or AP

Bills you have received but not paid yet. Money you owe.

Expense or asset

Something used up quickly, like supplies or rent, is an expense. Something expensive that lasts years, like a laser, a treatment bed, or a laptop, is an asset, and you claim it a bit at a time over the years you use it.

Owner draw

Money you take out of the business for yourself. If you are a sole proprietor this is not pay: you are taxed on the business's profit whether you take the money out or leave it in.

Cost to deliver, cost to run

Cost to deliver is what it takes to do the work: practitioner pay, supplies, card fees. On your P&L it is called **cost of goods sold** or **cost of services**. Cost to run is keeping the doors open: rent, insurance, software, admin. On your P&L those are **operating expenses**.

The reports

Profit and loss, or P&L

What came in and what went out over a stretch of time, and what was left. The report most owners find useful.

Balance sheet

What you own, what you owe, and what is left over, as at one single day.

Assets, liabilities, equity

The three parts of a balance sheet, and they always balance. **Assets** are what the business owns or is owed: cash, equipment, money clients still owe you. **Liabilities** are what it owes: loans, unpaid bills, sales tax you are holding for CRA. **Equity** is what would be left for you if you settled everything up, so assets minus liabilities.

Cash flow statement

Where the money actually moved. Not the same as profit: you can be profitable and still short of cash.

PAGE 2 · TAX, PEOPLE, AND THE REST

Tax and CRA

GST, HST, PST, RST

Sales tax. GST is federal and applies across Canada. Some provinces roll the federal and provincial pieces into one **HST**. Others charge a separate provincial tax on top of GST: **PST** in British Columbia and Saskatchewan, **RST** in Manitoba, and **QST** in Quebec. Alberta has GST only.

Input tax credit, or ITC

The GST or HST you paid on business purchases, which you subtract from what you collected before sending the difference to CRA.

Remittance

Sending CRA money you collected on their behalf, either sales tax or payroll deductions. It was never your money to spend.

Instalments

CRA asking you to pay your tax in pieces during the year rather than one lump at the end.

Closing a period

Locking a finished month so its numbers stop moving. Anything found afterwards gets fixed in the current month instead.

People you pay

T4

The year-end slip for an **employee**, someone on your payroll.

T4A

The year-end slip for a **subcontractor**, someone who invoices you.

Source deductions

The income tax, CPP, and EI taken off an employee's pay. You hold it briefly and send it to CRA; it is not yours.

Record of employment, or ROE

The form that goes to Service Canada whenever an employee's earnings stop. It has a short deadline, so tell your bookkeeper the day you know.

Employee or contractor

CRA decides this by how the work actually happens, not by what the contract calls it.

Words we say without thinking

Opening balances

The numbers your books start from when you move software or start a fresh file. Get these wrong and everything after them is wrong too.

Bank feed

The automatic connection that pulls transactions from your bank into your accounting software. It is a delivery, not a reconciliation: the lines still have to be checked.

Year-end adjusting entries

The changes your accountant makes once the year is finished, like spreading the cost of equipment over the years you use it. Your bookkeeper enters them, so your books match the return that was filed.

Year-end package

The tidy bundle your accountant needs to prepare your return: final reports, statements, and the answers to their questions.

CPB and CPA

A CPB is a Certified Professional Bookkeeper, who keeps the day-to-day books. A CPA is a Chartered Professional Accountant, who handles tax returns and year-end. You may well want both.

Chart of accounts

The list of labelled buckets your transactions get sorted into. Change the buckets and every report changes with them.

Trial balance

A list of every account in your books and what is in it on one date, the check that everything balances. Your accountant will ask for it at year-end.

The two that get mixed up most

T4 is for employees. T4A is for subcontractors. If you are not sure which someone is, ask before year-end rather than after, because the answer changes what you file and what you owe.