



Indie Dev' Guide

Understanding your Accounts

Introduction

The majority of gamers starting up in business will have little or no experience of accounting or tax. Many starting up in business will have developed their skills as employees of larger businesses.

As a business owner it is vitally important you have an appreciation of accounting and tax terminology, so that you can make good business decisions and help ensure the future success of your company.

Key terms

The following provides brief explanations of some of the key terms with which you should familiarise yourself, when starting your own business:

- Profit & Loss Account: A summary of the income and expenditure in the accounting period
- Turnover: Total sales of goods and services, excluding VAT
- Cost of sales: The direct costs of producing the turnover above, which might include purchases, staff wages, freelance costs etc.
- Gross Profit: Turnover less cost of sales
- Gross Profit Margin: Gross Profit as a percentage of turnover
- Profit on Ordinary Activities Before Tax: Profit after taking account of all business expenditure, allowable or disallowable for tax
- Profit for the financial year: Profit after the deduction of tax
- Balance Sheet: A summary of the assets and liabilities the company has at that date
- Fixed Assets: These can be tangible e.g. computers and desks or intangible e.g. goodwill
- Goodwill: The value of a business over and above the value of physical assets and cash
- Current Assets: Amounts held by the business e.g. stock or cash or due to the business within 12 months of the accounting period end
- Trade debtors: Amount owed to the business by customers
- Prepayments: Expenditure incurred in the accounting period which wholly or partially relates to future accounting periods
- Current Liabilities: Amounts owed by the business and due within 12 months of the accounting period end
- Trade creditors – Amount owed to business suppliers
- Accruals: Expenditure relating to the accounting period which was not invoiced until after the accounting period
- Reserves: Cumulative profit after tax to date, available for distribution