Top 30 Winery Accounting Terms

You Need to Know

1. Accounts Payable - The money your winery owes to suppliers and other creditors.

2. Accounts Receivable - The money owed to your winery by customers and vendors who have purchased wine or other products on credit.

3. Accruals - Imagine accruals as the slow fermentation process of your finances. This process recognizes revenue and expenses when they are incurred or earned over time (fermented), regardless of when the cash changes hands.

4.Assets - Not just things that you own. More like all the things that give you value as a winery. The most important equation for the balance sheet (listed below) Assets = Liabilities + Equity.

5. Balance Sheet - A financial statement that provides a snapshot of your winery's assets, liabilities, and equity at a specific point in time. A balance sheet should always balance with the formula being Assets = Liabilities + Equity. Your accountant finalizes these, and they are prepared monthly, quarterly, and/or annually.

6. Break-Even Point - The point in time where your sales coming in equals your expenses going out. As a growing winery, it's important to forecast when you anticipate this to be.

7. Budgeting - An important activity that requires you to estimate your future expenses.

8. Capital - The financial fuel that propels your winery forward. Whether it's sourced from investors or loans, smartly managing your capital is like cultivating a healthy vineyard - it leads to richer, more robust wines.

9. Capital Expenditure - Investments in long-term assets, such as equipment or vineyard expansion, which typically has a lifetime value of over one year.

10. Cash - The liquid asset that keeps your winery flowing smoothly. Just like a well-stocked cellar, having enough cash on hand ensures your winery can weather any unexpected storms.

11. Cash Flow - The movement of money in and out of your winery, indicating liquidity. This breaks down to (Operating Cash Flow = Operating Income + Non-cash Expenses – Taxes + Changes in Working Capital).

12. COGS - Cost of goods sold (COGS) is the absolute, final, end-of-the-manufacturing-process value of a wine when it's finally packaged. COGS is calculated based on all the costs that went into producing the wine, from grapes to packaging materials to your winemaker's salary and more.

13. Cost Allocation - The assignment of costs to specific inventory units or activities. Just like a winemaker allocates specific barrels to different wine lots, certain costs must be allocated to inventory as they're incurred.

14. Credit Terms - The agreed-upon terms with suppliers or customers regarding payment and credit periods.

15.Depreciation - The gradual decrease in the value of your winery's assets over time.

16. Dividends - The sweet rewards sometimes shared with stakeholders when a winery turns a profit.

17. EBITDA - It stands for Earnings Before Interest, Taxes, Depreciation, and Amortization. That's a lot of big words, but it basically means what your net income is after all revenue streams and expenditures are recognized.

18. Equity - The ownership interest in your winery, representing the residual interest after deducting liabilities from assets.

19. Expenses - The costs associated with running the winery, including production, marketing, and administrative expenses.

20. GAAP (Generally Accepted Accounting Principles) - The tried and true recipe for financial reporting. Following GAAP is like using a pre-programmed press cycle, consistency is key for reproducibility and accuracy.

21. Gross Profit - This is your revenue minus the cost of goods sold (COGS), which represents the basic profitability of your winery. This breaks out to (Revenue - COGS = Gross Profit).

22. Gross Margin - Gross Margin is a valuable figure to understand how production costs relate to revenue. It is calculated by subtracting the costs to produce a wine from the revenue generated by selling it.

23. Income Statement - Also often known as a Profit & Loss (P&L) Statement, this is a financial report that shows your winery's revenue, expenses, and profit or loss over a specific period. Your accountant finalizes these, and they are prepared monthly, quarterly and/or annually.

24. Liquidity - Liquidity is how quickly you can get your hands on your cash. This is the ability to convert an asset into cash, and the easier it is, the more liquid that asset is.

25. Liabilities - Represent the financial obligations and debts that a winery owes to external parties. These obligations can include loans, accounts payable, and other debts that need to be settled over time.

26.Net Profit - The amount of money you made after deducting all your expenses from what you earned.

27. Profit Margin - The percentage difference between revenue and expenses, indicating the profitability of your winery. You calculate this easily as Profit Margin = (Net Income/Revenue) x 100.

28. Revenue - The total amount generated from wine sales, events, and any other source of income.

29. ROI (Return on Investment) - A term used to evaluate how well an investment or purchase performed for the business. For example, a return on investment may be very quantifiable, like a paid advertisement that gained the business more sales than it cost, or it might be more subjective, like the amount of time saved per week to focus on more important work because new efficiencies were put into place.

30. Working Capital - The money you have to invest in day-to-day operations to run the business. This is an important indicator of whether a company's cash flow is healthy enough to continue to fuel growth with proactive spend.