KEY TERMS

Assets: Operating expenses. Resources owned/controlled by company, provide future economic benefits
Accrual: Basis that we use to report the profits of the company in our comprehensive income statement
Accrued Expenses: Expenses occurred but not recorded
Account Payable: Money owed by a company to its creditors
Accounts Receivable: Due from customers that company expects to collect
Basic EPS: The amount of a company's profit that can be distributed to one share of its stock
Cash: On hand, in bank accounts, checks
Cash Equivalents: Short-term, low-risk investments
Creditors: Have capital to lend (banks)
Current Asset: Cash/will be cash, will be used within one year
Current Liabilities: Amounts due to be paid to creditors
Current Liabilities Evaluation: Current Ratio
Current Ratio: More frequently used measurement, increase/decrease – short-term debt/obligations
Debits – Increase assets, decrease liabilities
Debt-to-Total Assets Ratio: Solvency, strengthen/weaken % of assets by liabilities
Debt-to-Equity Ratio: Capital supplied-creditors increase/decrease by investors
Debt Ratios: Increase/decrease financial leverage
Dividend: Money paid by a company to stockholders
Equity: Owner claims to the assets of a business
Expense: Money spent
Financial Leverage: More/less
FOB Destination: (Free on board); buyer pays & responsible
FOB Shipping: Seller pays & responsible
*FOB Destination & Shipping Amounts the same, DATE changes
Historic Cost: "At a value of", what a company initially paid (cost, freight charges, setup, delivery)
Inflow: Money Received
Intangible Asset: Asset that isn't physical in nature
Inventories: Cost of materials & goods on hand
Investors: Have capital to invest, owners (stock/shareholders)
Liabilities: Claims to resources by creditors
Liquidity: Cash, short-term debts & obligations
Long-Term Liabilities: Liabilities with a future benefit over 1year
Net Sales: Total net selling price
Outflow: Money paid out by a company (salaries, supplies, maintenance, dividends, debt)
Patent: Gov't license giving a right to a product
Prepaid Expenses: Cash paid in advance for the cost of services to be used in the future (insurance, rent)
Profit/Earnings: Financial gain. Difference between amount earned & amount spent
Retained Earnings: Net earnings not paid out as dividends
Revenue: Income. When you do the work!
Solvency: Ability of a company to meet long-term financial obligations
Trademark: Symbol representing company/product
Unearned Revenue: Receive cash in advance. Balance sheet
Working Capital: Increase/Decrease total amount of coverage – current liabilities provided by current assets

MARGIN MEASUREMENTS

Gross Margin = Gross Profit/Net Sales
Net Margin = Net Income – Net Sales
Operating Margin = Operating Profit/Net Sales

FORMULAS

Accounts Receivable = Invoice – Received
Accum. Other Comp. Inc = Beginning Accum. Other. Comp. Inc + Other Comprehensive Income, net of tax
Additional Paid-in Capital = ($ per share – par value) * Issued Shares of Common Stock
Assets = Liabilities + Equity
Basic EPS = (Net Income/Preferred Dividends)/Weighted Average # of Common Shares Outstanding
Common Stock par Value = Par Value * Issued Shares of Common Stock
Comprehensive Income = Net Earnings +/- Other Comprehensive Income (loss)
Current Ratio = Current Assets/Current Liabilities
Debt-to-total Assets Ratio = Total Liabilities/Total Assets
Debt-to-Equity-Ratio = Total Liabilities/Total Shareholder's Equity
Earnings Before Tax = Operating Profit +/- Non-Operating Items (interest expense, revenue, gains/loses)
Earnings Per Share = Net Income / Average Shares Outstanding
Gross Profit = Net Sales Revenue – Cost of Goods Sold
Inventory = Price + Shipping Fee
Net Earnings = Earnings Before Taxes – Income Tax Expense
Net Income = Revenue – Expenses
Net Operating Cash Flows = Operating Cash Inflows - Operating Cash Outflows
Operating Profit = Gross Profit – Operating Expenses (SG & A)
Profit = Revenues - Expenses
Retained Earnings = Beginning Retained Earnings + Net Earnings – Dividends
Revenues = Expenses + Profit
Salaries Expense = Paid + Accrued/Owed
Stockholder's Equity = Assets – Liabilities; Claims of Owners
Total Comprehensive Income = Net Earnings +/- other comprehensive income
Unearned Fees Revenue = (Cash received in advance (old year) + Cash received in advice (new year)) – Months Earned
Working Capital = Current Assets – Current Liabilities