



## Terms and Definitions

### Module 11

**Accounts payable** - money owed to a supplier by a business who paid for its products/services with a credit

**Accounts receivable** - money owed to the business by customers who paid for its products/services with a credit

**Asset** - anything worth money that a business owns

**Cash flow statement** – a report that shows all cash coming in and going out and shows whether or not the company has enough cash on hand to cover all of their expenses each month.

**Cost of goods sold (COGS)** - how much money a business spent acquiring the goods it sells

**Current assets** - assets that can be quickly sold and converted into cash in under one year; this includes cash, inventory, marketable securities, and accounts receivable

**Current liabilities** - debts that must be paid in under one year; this includes short term debt and accounts payable

**Current ratio** - current assets divided by current liabilities; determines how many times over you can pay your debt and includes cash and cash equivalents, marketable securities, accounts receivable, inventory, and prepaid expenses

**Debt ratio (%)** - a business's total debt (liabilities) divided by its total assets, multiplied by 100

**Debt-to-equity ratio (%)** - a business's total debt (liabilities) divided by the owner's equity, multiplied by 100

**Expenses** - money you expend to run the company

**Financial ratios** - various percents, ratios, or fractions you receive by interpreting financial data from your business

**Gross profit** - a business's revenue minus its cost of goods; how much money the business made selling its goods after accounting for how much they cost

**Liabilities** - debts a business owes

**Liquidity** - the ability of its assets to be turned into money quickly and easily

**Long-term assets** - assets that take longer than one year to sell and convert into money; this includes long term investments and equipment

**Long-term liabilities** - debts that take longer than a year to pay off; this can include the mortgage on a business building

**Marketable security** - an investment (such as a stock or bond) that can be turned into money quickly

**Operating ratio (%)** - expenses divided by revenue, multiplied by 100; how much revenue is being spent, per dollar, to cover expenses

**Owner's equity** - assets subtracted by liabilities; shows how much a business is worth

**Pre-tax profit** - gross profit minus expenses; how much profit is made before taxes are taken out

**Quick ratio** - cash, marketable securities, and accounts receivable divided by current liabilities; determines how many times over you can pay your debt and only includes cash and cash equivalents, marketable securities, and accounts receivable

**Return on sales (%)** - net profit divided by revenue, multiplied by 100; a ratio that shows how much revenue is being received as profit once COGS and expenses are taken out

**Revenue** - how much money a business makes before accounting for any expenses or other costs it had