



First Children's Finance

Glossary of Financial Terms

Accounts Payable	Amounts your business owes to suppliers or vendors for products or services that your business has purchased but has not yet paid for.
Accounts Receivable	Amounts of money your customers owe you for services your business has provided but for which you have not yet received payment.
Asset	Anything owned by your business that has value.
Balance Sheet	The financial statement that presents a "snapshot" of your business's financial condition on a specific date. It lists the business assets, liabilities and owner's equity (or net assets for nonprofit corporations.)
Current Assets	Assets that can usually be turned into cash within one year. Examples: cash, accounts receivable, prepaid expenses.
Current Liabilities	Liabilities or debts that have to be paid within one year. Examples: accounts payable, notes payable, accrued payroll expenses, current portion of long-term debt.
Depreciation	A noncash expense that reduces the value of an asset as a result of wear and tear, age, or obsolescence.
Expense	Any cost to produce revenue through the sale of goods or services.
Fixed Assets	Assets that cannot be easily turned into cash within one year. Examples: land, building, leasehold improvements, equipment.
Income Statement (or Profit & Loss Statement)	The financial statement that shows your business's revenue, expenses, and net income over a period of time (for example, a month, a quarter, or a year.) It reports the performance of your business over time.
Liability	Anything owed by your business to someone else that has to be paid.
Long-term Liabilities	Loans with maturities longer than one year. Examples: mortgage.
Net Fixed Assets	The value of Fixed Assets after subtracting accumulated depreciation.

Net Income (Loss)	Total revenue minus total expenses.
Net Worth or Net Assets	Net Worth = Total Assets - Total Liabilities. In a nonprofit corporation, Net Worth is often called Net Assets.
Owner's Equity	Another name for Net Worth.
Revenue	Income your business receives from its normal activities, usually the sale of goods and services.

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