

### Assets and Liabilities

**Assets** Future economic benefit from a past transaction

**Liabilities** Future sacrifices as a result of a past transaction

**Accounts Receivable** Money that the buyer owes the seller  
Under **assets** on Balance Sheet

**Accounts Payable** Money a company owes to suppliers for items that have been received, but not paid  
Under **liabilities** on balance sheet.

### Equity

Residual interest in assets after subtracting liabilities

### Balance Sheet

Assets	Liabilities
-Accounts Receivable	-Accounts Payable
-Cash	
-Inventory, Equipment	

**=Equity**

### Accounting Ratios

Solvency (Long-Term)

-Measure w/**Debt Ratio**

Liquidity (Short-Term)

-Measure w/**Quick Ratio**

Profitability

-Measure w/**Gross Profit Margin**

### Amortization

Expense the cost of asset over the projected lifespan

For intangible assets

Ex. Patents, Trademarks, Goodwill

### Depreciation

Write of an asset's value over a period of time

For tangible assets

Ex. Equipment

### Income Statement

**(Revenue + Gains)**                      **(Expenses + Losses)**

**=Net Profit/Income**

-Gross Profit = (Revenue-COGS)

-Pretax Profit = (Gross Profit-Operating Expenses)

-After tax Profit

### Formulas

#### Equity

Assets - Liabilities = Equity

#### Quick Ratio

(Cash + Receivables) / (Current Liabilities)

#### Debt Ratio

Total Liabilities/Total Assets

#### Gross Profit Margin

Gross Profit/Revenue

### Components of Debt

Principle

Term

Interest Rate

LTV Ratio

