

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

