

CAMS Inventors Inc. Successful Investor Project Financial-Vocabulary Glossary

revenue: what you earn

expenses: what you spend

net profit: total revenue minus total expenses

net income: same as *net profit*

COGS: "cost of goods sold"; what you pay for what you sell

gross income: total revenue minus COGS

gross margin: same as *gross income*

depreciation: reduction in value over time

appreciation: increase in value over time

EBITDA: "earnings before interest, taxes, depreciation, and amortization"

bond: debt instrument through which companies and governments can raise money

accounts payable: money you owe for products and services already received

accounts receivable: money owed to you for products and services already delivered

cash flow: the in and out of money to and from your business

equity: ownership in a company

vesting: earning equity over time instead of all at once

option pool: a percentage ownership in your company set aside at founding for those who may come aboard later

venture capital: investment money raised from firms that invest in high-potential ventures in exchange for a percentage ownership in the company

angel investor: a private high-net-worth individual who will invest money in medium-potential or high-potential ventures in exchange for a percentage ownership in the company

asset: something you own that has value

liability: something you owe for

owners' equity: the value of what the shareholders/owners have put into a company

appreciating asset: something you own that is going up in value

depreciating asset: something you own that is going down in value

balance sheet: a financial statement that keeps track of assets, liabilities, and owners' equity

balance sheet formula: assets minus liabilities equals owners' equity

income statement: a financial statement that keeps track of revenue, expenses, and profit

income-statement formula: revenue minus expenses equals net profit

cash flow statement: a financial statement that keeps track of all the money that goes in and out of your business

IPO: "initial public offering"; selling part of your company on the stock market in exchange for investment capital in your business