Terminology – The Balance Sheet

Accounts Payable, "AP": money owed to vendors for materials purchased on credit. Usually needs to be paid within 30-60 days. Part of Current Liabilities.

Accounts Receivable, "AR": money owed by customers for products (or services) purchased on credit. Usually needs to be paid within 30-60 days. Part of Current Assets.

Accrued Current Liabilities: debts not yet due but that the company must make within one year, such as payroll.

Accrued Taxes Payable: taxes the company owes but is not yet due.

Accumulated Amortization: the cumulative amount of amortization over time.

Accumulated Depreciation: the cumulative amount of depreciation over time.

Asset: something of value owned by the company, such as cash, inventory, buildings and goodwill.

Common Stock: A type of stock that represents ownership in the company and provides the shareholder voting rights, one vote for each share owned.

Current Assets: cash, and those items that can be converted to cash within one year, such as inventory and accounts receivables.

Current Liabilities: the amount owed to others and must be paid within one year, such as accounts payable and short-term debt.

Fixed Assets: physical assets used in the production of products and operation of the business, such as buildings, equipment. It also includes intangible assets such as patents, copyrights and goodwill.

Goodwill: an amount assigned to the amount the company "overpays" for an asset. For example, if Company A acquires Company B for $1M, but Company B is valued at $700,000, Company A will have $300,000 assigned to "goodwill".

Intangible Assets: Assets that are not physical but have considerable value, such as intellectual property.

Inventories: Raw materials, work-in-process (WIP) and finished goods (FG) that will be converted to products for sale to customers.

Liability: a debt or "obligation".

Liquidity: the ability for a company to convert its assets to cash. For example, stock is liquid because it is easy to sell. A plant on the other hand, is not very liquid as it may take months to sell.

Long-Term Debt: Loans and other obligations with terms more than one year, such as mortgages.

Net Working Capital (NWC): Sometimes referred to as just "Working Capital", Net Working Capital is a term used to refer to cash and other current assets available for the company to fund its operations. For example, if the company needed to meet payroll and invest in new equipment, it needs to have at least that amount of money in the bank to be able to make those immediate payments. The Net Working Capital is defined as the difference between its Current Assets and Current Liabilities:

Net Working Capital = Current Assets – Current Liabilities.

Net Worth: Assets – Liabilities. In a business context, it is also the Shareholder's Equity.

Paid-In Capital: The amount that the shareholders have invested in the company.

Preferred Stock: A certain class of stock that guarantees an annual dividend. Shareholders of preferred stock have no voting rights, but have priority in receiving dividends over shareholders of common stock.
Retained Earnings: The cumulative profits that are reinvested back into the company.

Shareholder's Equity: The net worth of the company to the shareholders.