

MODULE 17: Vocab & Key Terms

It All Starts With The Financials

Financial Report

A formal record of a company's financial activities, often released annually and quarterly. Financial reports are crucial for investors to evaluate a company's performance.

10-K

An annual report required by the U.S. Securities and Exchange Commission (SEC) that provides a comprehensive overview of a company's financial health. It is the most detailed public record for investors.

Balance Sheet

A financial statement that shows what a company owns (assets), owes (liabilities), and the shareholders' equity at a particular point in time. This statement adheres to the accounting equation.

Accounting Equation

The fundamental equation of accounting that must hold true for financial statements to be valid. It is $\text{Assets} = \text{Liabilities} + \text{Shareholders' Equity}$.

Income Statement

A financial document that shows a company's revenues, expenses, and net income over a specific period, often called the Profit and Loss Statement.

Cash Flow Statement

A statement that summarizes the flow of cash and cash equivalents in and out of the company. It provides insights into a company's ability to generate cash and meet financial obligations.

Book Value

Calculated as $\text{Total Assets} - (\text{Intangible Assets} + \text{Liabilities})$, it represents the value of a company's tangible assets.

Market Value

The current stock price multiplied by the total number of outstanding shares. Market value may not always represent the true value of a company.

Price Multiples

Ratios calculated using key figures from financial statements to assess a company's valuation, such as P/E ratio, Enterprise Value, and EBIT.

Discounted Cash Flow (DCF)

A valuation method that estimates the value of an investment based on its expected future cash flows, discounted back to present value.

Stakeholder

Any individual or organization that has an interest in the performance and activities of a company, including management, employees, investors, and government agencies.

FOMO (Fear of Missing Out)

An emotional response that can drive investment decisions, often leading to rash actions that don't align with an investor's financial goals.