

## MODULE 13: Vocab & Key Terms

### Financial Algebra

#### Stock

A share in the ownership of a company, with the potential for capital appreciation and dividend payments.

#### Bond

A debt security that pays periodic interest and repays the principal at a specified future date.

#### Portfolio

A collection of investments held by an individual or institution.

#### Interest

The cost of borrowing money, usually expressed as a percentage of the amount borrowed.

#### Simple Interest

Interest that is calculated only on the principal amount.

#### Compound Interest

Interest that is calculated on both the principal and any accumulated interest.

#### Amortization

The process of paying off a debt over time, with regular payments that include both principal and interest.

#### Time Value of Money

The concept that money today is worth more than the same amount of money in the future, due to the potential for investment returns.

#### Present Value

The current value of a future sum of money, calculated by discounting it to its present value.

#### Future Value

The value of an investment at a future point in time, calculated by compounding the original principal and any interest earned.

#### Net Present Value

The difference between the present value of all future cash inflows and the present value of all future cash outflows, used to evaluate the profitability of an investment.

#### Internal Rate of Return

The interest rate at which the net present value of an investment equals zero, used to evaluate the potential return on an investment.

#### Linear Equation

A linear equation is an equation of a straight line in the form  $y = mx + b$ , where  $m$  is the slope of the line and  $b$  is the y-intercept (the point where the line crosses the y-axis). Linear equations can be graphed on a coordinate plane.

#### Chart Axes

Axes are the lines that create a grid for graphing functions or data. The horizontal axis is called the x-axis, the vertical axis is called the y-axis, and they intersect at a point called the origin.