

Define the following terms  
in your own words:

### Definations:

#### Assets:

Assets are the resources of a business owns. The business uses its assets in carrying out such activities as production and sales.

The common characteristic possessed by all assets is the capacity to provide future services or benefit.

$$\text{Assets} = \text{Liabilities} + \text{Equity}$$

#### Liabilities:

Liabilities are the claims against assets that is the existing debt and obligations.

$$\text{Liabilities} = \text{Assets} - \text{Equity}$$

### 3) Creditors:

Creditors may legally force the liquidation of a business that does not pay its debt. In that case the law requires that creditors' claims be paid before ownership claims.

### 4) Equity:

The ownership claim on a company's total assets is equity. It is equal to total assets minus total liabilities.

$$\text{Equity} = \text{Assets} - \text{Liabilities}$$

### 5) Revenues:

Revenues are the gross increase in equity resulting from business activities entered into for the purpose of earning income.

### 6) Expenses:

Expenses are the cost of assets (or) services consumed or used in the process of earning revenues. They are a decrease in equity that result from the

...operating the business.

### Dividends:

Net income represents an increase in net assets which is then available to distribute to shareholders. This distribution of cash or other assets to shareholders is called dividends.

### Debtors:

A debtor or debtor is a legal entity that owes a debt to another entity. The entity may be an individual, a firm, a government, a company or other legal person.

