

accounting equation

the foundation of double entry accounting which shows that all assets are either financed by borrowing money or paying with the money of the company's shareholders

"The accounting equation was the first thing I learnt on the bookkeeping course I went on."

capital

the total financial value of all assets less any liabilities. The net worth of a company

"After three years trading the capital of the company had increased to \$100m."

contingent liabilities

a potential obligation that may be incurred depending on the outcome of a future event

"The management accountant estimated a contingent liability of \$45,000 on the purchase of the new property."

current assets

all assets that are expected to be converted into cash within one year of normal business activity

"Of course you cannot depreciate current assets as they won't be in the company a year from now."

draws

the withdrawal of business cash or other assets by the owner for the personal use of the owner

"The accounting team tried to explain that the owner shouldn't make so many draws from the company as it was leading to huge losses."

goodwill

the favour or advantage that a business has acquired especially through its brands and its good reputation

"The company had assets of \$62 million excluding goodwill."

income statement

the financial statement which measures a company's financial performance over a specific accounting period

"After studying the income statement it was clear that the company was in financial trouble."

incur

come into or acquire (some consequence, usually undesirable)

"The company has incurred taxes of \$27,000 this quarter."

intangible asset

an asset which is not physical in nature

"The valuation team had trouble valuing the intangible assets of the firm."

intellectual property

creations of the mind: inventions, literary and artistic works, and symbols, names, images, and designs used in commerce

"Lawyers and accountants in Hollywood have to be experienced in intellectual property law."

quantify

determine or express the quantity of

"When entering a new market, you should be able to quantify the potential sales and the risk attached to them."

shareholder equity

a firm's total assets minus its total liabilities

"The board of management was delighted with the 15% rise in shareholder equity on the past year."

sole proprietorship

a type of business entity that is owned and run by one individual

"Many people choose to form a sole proprietorship as it is the simplest form of business entity."

terminology

The vocabulary of technical terms used in a particular field

"There is some very complicated terminology in accounting so you should make sure you have a good dictionary."