CAMS Inventors Inc. Successful Investor Project
Financial-Vocabulary Glossary

revenue: what you earn
expenses: what you spend
net profit: total revenue minus total expenses
net income: same as net profit
COGS: "cost of goods sold"; what you pay for what you sell
gross income: total revenue minus COGS
gross margin: same as gross income
depreciation: reduction in value over time
appreciation: increase in value over time
EBITDA: "earnings before interest, taxes, depreciation, and amortization"
bond: debt instrument through with companies and governments can raise money
accounts payable: money you owe for products and services already received
accounts receivable: money owed to you for products and services already delivered
cash flow: the in and out of money to and from your business
equity: ownership in a company
vesting: earning equity over time instead of all at once
option pool: a percentage ownership in your company set aside at founding for those who may come aboard later
venture capital: investment money raised from firms that invest in high-potential ventures in exchange for a percentage ownership in the company
angel investor: a private high-net-worth individual who will invest money in medium-potential or high-potential ventures in exchange for a percentage ownership in the company
asset: something you own that has value
liability: something you owe for
owners’ equity: the value of what the shareholders/owners have put into a company
appreciating asset: something you own that is going up in value
depreciating asset: something you own that is going down in value
balance sheet: a financial statement that keeps track of assets, liabilities, and owners’ equity
balance sheet formula: assets minus liabilities equals owners’ equity
income statement: a financial statement that keeps track of revenue, expenses, and profit
income-statement formula: revenue minus expenses equals net profit
cash flow statement: a financial statement that keeps track of all the money that goes in and out of your business
IPO: "initial public offering"; selling part of your company on the stock market in exchange for investment capital in your business