

## Key Terms

### Basic

- **Finance** – the study of money management
- **Capital** – wealth in various forms (money, machinery, etc.)
- **Budgeting** – allocating funds for a specific purpose
- **Leverage** – the amount of debt relative to the size of the business

**Balance Sheet** – a snapshot of the firm at a point in time

- **Asset** – A resource with value
- **Liability** – various forms of debt
- **Equity** – Net value of a business

**Income Statement** – a summary of business performance over a period

- **Revenue** – money received by a business over a period of time
- **Expense** – a cost of operating the business
- **Depreciation** – falling value of an asset
- **Net Income** – profit of a business

**Cash Flow** – change in available cash at a point in time

- **Operating flows** – cash increase or decrease from normal operations
- **Investing** – allocating money to long-term assets
- **Financing** – raising money for a business