

# GLOSSARY



## Corporate Financial Statement Analysis

With Jim Stice and Kay Stice

Use these terms and definitions below to understand concepts taught in the course.

**Transcript Search:** note that you can search for terms directly within the course. To search video text, switch to the *Transcripts* tab, then press Cmd/Ctrl + F on your keyboard to run a search within the active transcript.

Term	Definition
accounting equation	The basis of accounting in which assets will always equal liabilities plus equity
bottom line	A term used for a company's net income because net income is the "bottom line" of an income statement
common size financial statements	Financial statements that divide every number in the income statement and the balance sheet by total sales for the year; this provides percentages that can be used to compare companies of different sizes
financial statement analysis	The process of using the relationships among a company's financial statement numbers to gain insight into its operations
leverage	The use of borrowed money to generate sales
ratios	Calculations based on financial statement information that provide comparisons between companies
return on equity	Measure of the overall profitability of shareholder investment, calculated as net income divided by equity