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SOME FINANCIAL TERMS

- **Working Capital**

Funds available to the business to meet ongoing costs and expenses. The working capital position is determined by taking the value of the Current Assets divided by the value of the Current Liabilities (from the Balance Sheet) and the result (as a rule of thumb) should be a ratio of no less than 2.0:1.0. This means that Current Liabilities are covered (in value) by Current Assets by a factor of 2 times. In monetary terms the dollar amount of Working Capital is determined by deducting the value of Current Liabilities from Current Assets.

- **Current Assets**

*Items (with a monetary value) you own that have a life expectancy (maturity date) **less** than the 30th June of the next fiscal (financial) year. Generally less than 12 months.*

- **Current Liabilities**

*Monies you owe that have a life expectancy (maturity date) **less** than the 30th June of the next fiscal (financial) year. Generally less than 12 months.*

- **Liabilities**

Any debt with a monetary value that you owe.

- **Assets**

Any item with a monetary value that you own

- **Equity Capital**

Funds injected by the owner of a business to enable operations to commence.

- **Debt Capital**

Funds borrowed from an external source (bank, credit union etc) to enable operations to commence.

- **Fixed Assets**

*Items (with a monetary value) you own that have a life expectancy (maturity date) **greater** than the 30th June of the current fiscal (financial) year. Generally greater than 12 months.*

- **Liquidity**

*Closely related to working capital. Items of value (assets) that are readily available to be **converted** into cash rapidly to meet the business short-term cash requirements.*