ONE PAGE SUMMARY

Entrepreneurship & Startup › Startup Finance & Accounting › Financial Statements

Asset categories

Understand asset categories for effective startup financial management.

DEFINITION

> Asset categories are classifications of resources owned by a business that have economic value. They are essential for understanding a company's financial health.

KEY CONCEPTS

Current Assets

These are assets expected to be converted into cash within one year, like cash and inventory.

Non-Current Assets

Assets that are not expected to be converted into cash within a year, such as property and equipment.

Tangible Assets

Physical items that can be touched and measured, like machinery and buildings.

Intangible Assets

Non-physical assets that provide value, such as patents, trademarks, and goodwill.

Operating Assets

Assets used in the day-to-day operations of a business, including inventory and equipment.

EXAMPLES

→ Cash and accounts receivable are current assets.

→ A company's building is a non-current tangible asset.

→ A patent held by a startup is an intangible asset.

MEMORY TIPS

★ Remember 'C' for Current and 'N' for Non-Current to differentiate asset types.

★ Think of 'T' for Tangible and 'I' for Intangible to recall physical vs. non-physical assets.

★ Use the acronym 'OAT' for Operating, Assets, and Tangible to remember key asset categories.

COMMON MISTAKES

✗ Confusing current assets with non-current assets.

✗ Overlooking intangible assets when assessing total assets.

✗ Failing to categorize assets correctly in financial statements.

QUICK RECAP

Asset categories help classify a startup's resources, impacting financial analysis. Key types include current, non-current, tangible, and intangible assets. Understanding these categories is crucial for effective financial management.