

Equality Relations and Net Worth Key Terms

Name: _____ Date: _____

Directions: Read and review the terms below.

Net Worth: The value of assets minus liabilities

- Net worth tells us a person's wealth at a single point in time.
- Therefore, it captures how much a person has left to use for consumption.

Net Worth Accounting Equation: $NW = A - L$

- NW = Net Worth (NW is a single variable)
- A = Assets
- L = Liabilities

Gross Income: The sum of all sources of income

Net Income: The value of gross income minus expenses

Net Income Accounting Equation: $NI = I - E$

- NI = Net Income (NI is a single variable)
- I = Gross income
- E = Expenses