ACCOUNTING DICTIONARY - FINANCIAL GLOSSARY

- A -

AAII is the American Association of Individual Investors.

ABOVE THE LINE, in general in the United States, are those amounts on a tax return that are deductible from gross income before arriving at adjusted gross income, e.g., moving expenses and IRA contributions. Thus, a U.S. taxpayer can take deductions above the line and still claim the standard deduction.

ABSENTEE OWNER is a business or property owner who does not personally manage the business or reside at the property owned.

ACCELERATED DEPRECIATION is any one of a number of allowed methods of calculating depreciation that permit greater amounts of deductions in earlier years than are permitted under the straight-line method, which assumes equal depreciation during each year of the assets life.

ACCOUNTANT'S OPINION is a signed statement regarding the financial status of an entity from an independent public accountant after examination of that entities records and accounts.

ACCOUNTING, generally, when someone says "accounting" they are referring to the department, activity or individuals involved in the application of the accounting equation.

ACCOUNTING CONCEPTS are the assumptions underlying the preparation of financial statements, i.e., the basic assumptions of going concern, accruals, consistency and prudence.

ACCOUNTING EQUATION is a mathematical expression used to describe the relationship between the assets, liabilities and owner's equity of the business model. The basic accounting equation states that assets equal liabilities and owner's equity, but can be modified by operations applied to both sides of the equation, e.g., assets minus liabilities equal owner's equity.

ACCOUNTING PERIOD is the time period for which accounts are prepared, usually one year.

ACCOUNTS PAYABLE-TRADE is open accounts and note obligations due to the trade.

ACCOUNT RECEIVABLE is a current asset representing money due for services performed or merchandise sold on credit.

ACCOUNTS RECEIVABLE LEDGER is the bookkeeping ledger in which all accounts for which cash assets owed to an organization is maintained.

ACCRETION is the adjustment of the difference between the price of a bond purchased at an original discount and the par value of the bond; or, asset growth through internal growth, expansion or natural causes, for example, the aging of wine or growth of timber/trees.

ACCRUAL BASIS OF ACCOUNTING is wherein revenue and expenses are recorded in the period in which they are earned or incurred regardless of whether cash is received or disbursed in that period. This is the accounting basis that generally is required to be used in order to conform to generally accepted accounting principles (GAAP) in preparing financial statements for external users.

ACCRUED ASSETS are assets from revenues earned but not yet received.

ACCRUED EXPENSES are expenses incurred during an accounting period for which payment is postponed.

ACCRUED INCOME is income earned during a fiscal period but not paid by the end of the period.

ACCRUED INTEREST is interest earned but not paid since the last due date.

ACCRUED LIABILITY are liabilities which are incurred, but for which payment is not yet made, during a given accounting period. Some examples in a manufacturing environment would be: wages, taxes, suppliers/vendors, etc.
ACID-TEST RATIO see Quick Ratio.
ACTUARIAL relates to statistical calculation especially of life expectancy, e.g., insurance industry actuarial tables.
AD HOC is being concerned with a particular end or purpose, e.g., a ad hoc committee established to handle a specific subject.
ADJUSTED BOOK VALUE: Your MBA performs two types of adjusted book value analysis. Tangible Book Value and Economic Book Value (also known as Book Value at Market).
Tangible Book Value is different than book value in that it deducts from asset value intangible assets, which are assets that are not hard (e.g., goodwill, patents, capitalized start-up expenses and deferred financing costs).
Economic Book Value allows for a book value analysis that adjusts the assets to their market value. This valuation allows valuation of goodwill, real estate, inventories and other assets at their market value.
ADJUSTING ENTRIES are special accounting entries that must be made when you close the books at the end of an accounting period. Adjusting entries are necessary to update your accounts for items that are not recorded in your daily transactions.
ADVISING BANK is a bank in the exporter's country handling a letter of credit.
AGI (Annual Gross Income) is annualized total income prior to exclusions and deductions.
AICPA is the American Institute [of] Certified Public Accountants
AIR WAYBILL is a bill of lading and contract between the shipper and the airline for delivery of goods to a specified location, and sometimes with specified delivery date/time. Non-negotiable, but serves as receipt from the airline to prove that goods were received.
ALL OTHER CURRENT ASSETS relates to any other current assets. Does not include prepaid items.
ALL OTHER CURRENT LIABILITIES includes any other current liabilities, including bank overdrafts and accrued expenses.
ALL OTHER EXPENSES (NET) includes miscellaneous other income and expenses (net), such as interest expense, miscellaneous expenses not included in general and administrative expenses, netted against recoveries, interest income, dividends received and miscellaneous income.
ALL OTHER NON-CURRENT ASSETS are prepaid items and any other non-current assets.
ALL OTHER NON-CURRENT LIABILITIES means any other non-current liabilities, including subordinated debt, and liability reserves.
ALPHA is the premium an investment earns above a set standard. This is usually measured in terms of the Dow Industrials or the S&P 500. How the stock performs independent of the market.
ALTMAN Z-SCORE predicts whether or not a company is likely to enter into bankruptcy within one or two years. Edward Altman developed the "ALTMAN Z-SCORE" by examining 85 manufacturing companies. Later, additional "Z-Scores" were developed for private manufacturing companies (Z-Score - Model A) and another for general/service firms (Z-Score - Model B). Venture Line selects the "Z-Score" appropriate for each firm based upon the

questionnaire input from the listing company. A "Z-Score" is only as valid as the data from which it was derived i.e. if a company has altered or falsified their financial records/books, a "Z-Score" derived from those "cooked books" is of lesser use.

ORIGINAL "Z-SCORE" [For Public Manufacturer] If the "Z-Score" is 3.0 or above - bankruptcy is not likely. If the "Z-Score" is 1.8 or less - bankruptcy is likely. A score between 1.8 and 3.0 is the gray area. Probabilities of bankruptcy within the above ranges are 95% for one year and 70% within two years. Obviously, a higher "Z-Score" is desirable.

MODEL A "Z-SCORE" [For Private Manufacturer] "Model A" of Altman's Z-Score is appropriate for a private manufacturing firm. "Model A" should not be applied to other companies. A "Z-Score of 2.90 or above indicates that bankruptcy is not likely, but a "Z-Score" of 1.23 or below is a strong indicator that bankruptcy is likely. Probabilities of bankruptcy in the above ranges are 95% for one year and 70% within two years. Obviously, a higher "Z-Score" is desirable.

Model B "Z-SCORE" [For Private General Firm] Edward Altman developed this version of the "ALTMAN Z-SCORE" to predict the likelihood of a privately owned non-manufacturing company going bankrupt within one or two years. "Model B" of Altman's "Z-Score" is appropriate for a private general (non-manufacturing) firm. Model B should not be applied to other companies. A "Z-Score" of 1.10 or lower indicates that bankruptcy is likely, while a score of 2.60 or above can be an indicator that bankruptcy is not likely. A score between the two is the gray area. Probabilities of bankruptcy in the above ranges are 95% for one year and 70% within two years. Again, obviously, a higher "Z-Score" is desirable.

ANGEL INVESTOR is a private wealthy individual that has no association with a venture capital firm, investment fund, etc. The "angel" invests private money into what he/she believes to be promising opportunities i.e., normally startup companies.

ANNUALIZE is a statistical technique whereby figures covering a period of less than one year are extended to cover a 12-month period. The technique, to be accurate, must take seasonal variations into consideration.

AMORTIZATION 1. is the gradual reduction of a debt by means of equal periodic payments sufficient to meet current interest and liquidate the debt at maturity. When the debt involves real property, often the periodic payments include a sum sufficient to pay taxes and hazard insurance on the property. 2. is the process of spreading the cost of an intangible asset over the expected useful life of the asset. For example: a company pays $100,000 for a patent, they amortize the cost over the 16 year useful life of the patent.

APPORTION is to divide and share out according to a plan.

APPRECIATION is the increase in the value of an asset in excess of its depreciable cost, which is due to economic, and other conditions, as distinguished from increases in value due to improvements or additions made to it.

ARM'S LENGTH TRANSACTION is a transaction that is conducted as though the parties were unrelated, thereby avoiding any semblance of conflict of interest.

ARR is an acronym for Accounting Rate of Return.

ASEAN (Association of Southeast Asian Nations) is a trading block of countries in SE Asia. Originally formed as an anti-communist military alliance, it is now focused on developing a free trade agreement among member nations.

ASSET is anything owned by an individual or a business, which has commercial or exchange value. Assets may consist of specific property or claims against others, in contrast to obligations due others. (See also Liabilities).

ASSET AVAILABILITY is the stated condition or availability of an asset for usability. The subject asset is not available if it is already in use, at capacity, undergoing maintenance, broken, etc.

ASSET EARNING POWER is a common profitability measure used to determine the profitability of a business by taking its total earning before taxes and dividing that by total assets.

ASSET TURNOVER RATIO is a general measure of a firm's ability to generate sales in relation to total assets. It should be used only to compare firms within specific industry groups and in conjunction with other operating ratios to determine the effective employment of assets.

ASSET UTILIZATION (sales/total assets) is a ratio that indicates the efficiency of use of assets within a company. It is a good indicator on how well the management of the firm are managing the assets under their control.

ASSUMPTION, generally, is one or more beliefs or unconfirmed facts that contribute to a conclusion. Specifically, it is the act of taking on the responsibility or assuming the liabilities of another.

ATTRITION a reduction in numbers usually as a result of resignation, retirement, or death.

AUDIT is an examination of a company's accounting and financial records and supporting documents by: a) an accounting professional, such as a Certified Public Accountant, or, b) an IRS examination of an individual or corporation's tax return to verify its accuracy.

AUDIT BUREAU OF CIRCULATION (ABC) is a third-party organization that verifies the circulation of print media through periodic audits.

AUDIT STRATEGY is a game plan to attack audit issues before they are raised. Reasons and justifications for all positions must be understood and the foundation laid for taking the position.

- B -

BAD DEBT is an open account balance or loan receivable that has proven to be uncollectible and is written off.

BALANCE OF PAYMENTS / BALANCE OF TRADE is the difference between a country's total export dollar value and its total import dollar value, generally or with respect to a particular trading partner. A positive balance means a net inflow of capital, while a negative means capital flows out of the country.

BALANCE SHEET is an itemized statement that lists the total assets and the total liabilities of a given business to portray its net worth at a given moment of time. The amounts shown on a balance sheet are generally the historic cost of items and not their current values.

BANK RECONCILIATION is the verification of a bank statement balance and the depositor's checkbook balance.

BARTER is a form of trading where the parties are accepting goods as payment rather than cash.

BASIC EARNINGS POWER (EBIT/TA) is useful for comparing firms in different tax situations and with different degrees of financial leverage. Basic Earning Power measures the basic profitability of Assets because it excludes consideration of interest and tax.

BAY, in business / accounting, means Buy another Yearly.
BENEFICIAL OWNER is the person who enjoys the benefits of ownership even though title is in another name (often used in risk arbitrage).
BENEFICIARY is the person in whose favor a letter of credit is issued or a draft is drawn.
BILLINGS, in accounting, is sales for which invoicing has been issued.
BILL OF LADING is the contract between the owner of the goods and the cargo carrier to move the goods to a specified destination. A clean bill of lading is issued by the carrier verifying receipt of the merchandise in apparent good condition (without visually apparent damage or defect). Bills of lading can sometimes be made to cover the whole trip, or separate bills of lading can be prepared for each carrier. Ocean shipments generally require two, an Inland Bill of Lading covering land transportation to the port and an Ocean Bill of Lading covering the ship portion. Bills of lading are negotiable while cargo is in transit.
BOND COVENANT are agreements within a bond that can either be negative or positive in the view of the bondholder, e.g., a negative bond covenant is a bond covenant that prevents certain activities unless agreed to by the bondholders.
BONDED WAREHOUSE is a warehouse authorized by customs officials for the storage of goods on which payment of duty is deferred until the goods are removed.
BONDING is generally used by service companies as a guarantee to their clients that they have the necessary ability and financial tracking to meet their obligations. Bonds are also used to guarantee payment of duty for U.S. Customs entry.
BOOK COST, normally, is the cost at the time an asset is purchased or realized, i.e. the total amount paid to acquire an asset.
BOOKING, in import / export, is an arrangement with a shipping company to load and carry a shipment.
BOOK VALUE is an accounting term which usually refers to a business' historical cost of assets less liabilities. The book value of a stock is determined from a company's records by adding all assets (generally excluding such intangibles as goodwill), then deducting all debts and other liabilities, plus the liquidation price of any preferred stock issued. The sum arrived at is divided by the number of common shares outstanding and the result is the book value per common share. Book value of the assets of a company may have little or no significant relationship to market value.
Tangible Book Value is different than Book Value in that it deducts from asset value intangible assets, which are assets that are not hard (e.g., goodwill, patents, capitalized start-up expenses and deferred financing costs).
Economic Book Value allows for a Book Value analysis that adjusts the assets to their market value. This valuation allows valuation of goodwill, real estate, inventories and other assets at their market value.
BOOKKEEPING is the art, practice, or labor involved in the systematic recording of the transactions affecting a business.
BOOT is when dissimilar assets are added to a transaction to equalize or put into balance the asset / property exchanged. In an exchange of property, under Section 1031 of the U.S. Internal Revenue Code for example, Mr. Jones exchanges a warehouse valued at $100,000 and receives Mr. Smith's land valued at $125,000. Jones then pays $10,000 in cash plus a car valued at

$15,000 to boot in order to equalize the values of assets exchanged. The car and cash are considered boot.

BOTTOM UP is a concept of analyzing a subject, such as costs or revenue, starting from the lowest level working towards the top.

BREAK-EVEN ANALYSIS is an analysis method used to determine the number of jobs or products that need to be sold to reach a break-even point in a business.

BREAK-EVEN POINT is the volume point at which revenues and costs are equal; a combination of sales and costs that will yield a no profit/no loss operation.

BUDGET is an itemized listing of the amount of all estimated revenue which a given business anticipates receiving, along with a listing of the amount of all estimated costs and expenses that will be incurred in obtaining the above mentioned income during a given period of time. A budget is typically for one business cycle, such as a year, or for several cycles (such as a five year capital budget).

BURN RATE is the rate at which a new company uses up its venture capital to finance overhead before generating positive cash flow from operations. It is the rate of negative cash flow, usually quoted as a monthly rate.

BUSINESS PLAN is a written plan used to chart a new or ongoing business' strategies, sales projections, and key personnel in order to obtain financing and / or to provide a strategic foundation under which a business can grow.

BUSINESS PUBLICATIONS AUDIT (BPA) is similar to the Audit Bureau of Circulation; the BPA is a third-party organization that verifies the circulation of print media through periodic audits.

- C -

C.A. is sometimes used to identify the Chief Accountant.

CAGR (COMPOUND ANNUAL GROWTH RATE) is the rate of growth of a number, compounded over several years, e.g., securities analysts check a company's compound growth rate of profits for five years to see the long-term trend.

CALLABLE is when an instrument is subject to a demand for presentation for payment, e.g. callable debt can be demanded to be paid upon presentation by the debt holder; usually if contractual conditions are not being met.

CAPEX is an acronym for capital expenditure.

CAPITAL is total amount of money or other resources owned or used to acquire future income or benefits.

CAPITAL ASSET is a long-term asset that is not purchased or sold in the normal course of business. Generally, it includes fixed assets, e.g., land, buildings, furniture, equipment, fixtures and furniture

CAPITAL BUDGET is the estimated amount planned to be expended for capital items in a given fiscal period. Capital items are fixed assets such as facilities and equipment, the cost of which is normally written off over a number of fiscal periods. The capital budget, however, is limited to the expenditures that will be made within the fiscal year comparable to the related operating budgets.

CAPITAL EXPENDITURE is the amount used during a particular period to acquire or improve long-term assets such as property, plant or equipment.
CAPITAL GAIN OR LOSS is the difference between the market or book value at purchase or other acquisition and that realized from the sale or disposition of a capital asset.
CAPITAL IMPROVEMENT is the increase in the total amount of money or other resources owned or capable of being used to acquire future income or benefits.
CAPITAL INVESTMENT see CAPITAL EXPENDITURE.
CAPITALIZATION is the statement of capital within the firm - either in the form of money, common stock, long-term debt, or in some combination of all three. It is possible to have too much capital (in which case the firm is overcapitalized) or too little capital (in which case the firm is undercapitalized).
CAPITALIZE is to: a) convert a schedule of income into a principal amount, called capitalized value, by dividing by a rate of interest; b) record capital outlays as additions to asset accounts, not as expenses; c) convert a lease obligation to an asset/liability form of expression called a capital lease, i.e., to record a leased asset as an owned asset and the lease obligation as borrowed funds; or d) turn something to one's advantage economically, e.g., sell umbrellas on a rainy day.
CAPITAL LEASE is a lease obligation that has to be capitalized on the balance sheet. It is characterized by: it is non-cancelable; the life of lease is less than the life of the asset(s) being leased; and, the lessor does not pay for the upkeep, maintenance, or servicing costs of the asset(s) during the lease period.
CAPITAL STOCK is the ownership shares of a corporation authorized by its articles of incorporation, including preferred and common stock.
CARNET is a customs document which permits you to send or carry merchandise into a country duty and tax free for a short period, for use as samples or as display merchandise in a trade show, for example.
CASH BASIS OF ACCOUNTING is the accounting basis in which revenue and expenses are recorded in the period they are actually received or expended in cash. Use of the cash basis generally is not considered to be in conformity with generally accepted accounting principles (GAAP) and is therefore used only in selected situations, such as for very small businesses and (when permitted) for income tax reporting. See also Accrual Basis.
CASH & EQUIVALENTS means all cash, marketplace securities, and other near-cash items. Excludes sinking funds.
CASH FLOW is earnings before depreciation and amortization.
CASH FLOW / CURRENT PORTION OF LONG TERM DEBT is a measure of the firms ability to meet its obligations with internally generated cash.
CASH FROM FINANCING is sum of all the individual financing activity cash flow line items.
CASH FROM INVESTING is the sum of all the individual investing activity cash flow line items.
CASH FLOW FROM OPERATIONS is the sum of all the individual operating activity cash flow line items, less cash realized from the sale of extraordinary items, e.g., fixed assets.
CASH IN ADVANCE is when full payment is due before the merchandise is shipped. Least risk to seller, most risk to buyer.

CASH INFLOWS is any current or expected revenues or savings directly associated with an investment.
CASH OUTFLOWS is the initial cost and other expected outlays associated with an investment.
CEO is an acronym for Chief Executive Officer. The CEO is the principle individual responsible for the activities of a company.
CERTIFICATE OF INSPECTION is certification, generally by an independent third party, that the goods were in good condition at the time of shipment.
CERTIFICATE OF ORIGIN is a document that states where the goods were made. This document is legally required for many countries for the importation of merchandise.
CERTIFIED FINANCIAL PLANNER (CFP) is a financial planner who has received a license from the Institute of Certified Financial Planners, indicating that he/she was trained in investments, budgeting, taxes, banking, estate planning and insurance. Some CFPs work on commission for the products they sell, and some work for a flat hourly fee.
CERTIFIED FINANCIAL STATEMENTS are financial statements that have undergone a formal audit by a certified public accountant and usually contain statements of certification by the CPA.
C&F (COST & FREIGHT) includes all shipping costs but insurance. Generally used in statement of terms, stating cost and freight are paid by the exporter from his warehouse to a port in the importer's country. In this case, the buyer is responsible for insurance.
CFM, in finance / accounting, means Certified In Financial Management.
CFO is an acronym for Chief Financial Officer. The CFO is the officer in a corporation responsible for handling funds, signing checks, the keeping of financial records, and financial planning for the company.
C.G.A. means Certified General Accountant.
CHAPTER S or SUBCHAPTER S is a legal corporate entity organized under the United States Federal Tax Code that allows Subchapter S Corporations to distribute all income / loss proportionately to its shareholders, who then claim that income / loss on their personal income taxes; thereby avoiding the payment of corporate taxes.
CHART OF ACCOUNTS is a systematic listing of all accounts used by a company.
CHATTEL MORTGAGE CONTRACT is a credit contract used for the purchase of equipment where the purchaser receives title of the equipment upon delivery but the creditor holds a mortgage claim against it.
C&I (COST & INSURANCE), in a price that is quoted "C&I", means that the cost of the product and insurance are included in the quoted price. In this case, the cost of shipping would be borne by the buyer.
CIA, in accounting, is an acronym for Certified Internal Auditor; or, Cash in Advance.
CIBT is an acronym for Cash Income before Taxes.
CIF (COST, INSURANCE AND FREIGHT) is a shipment where all shipping costs are paid by the exporter, including insurance.
CLOSELY HELD is a description of a corporation whose voting stock is owned by a very small number of shareholders.
C.M.A. means Certified Management Accountant.

COA, in accounting, means Chart of Accounts.
COLLATERAL is assets used as security for the extension of a loan.
COLLECTION PAPERS are those documents specified as necessary for payment to be made, such as the commercial invoice, certificate of inspection, and bill of lading.
COLLECTION PERIOD (Avg. Annual) is used to appraise accounts receivable (AR). This ratio is calculated by dividing Average Accounts Receivable during last year by average daily sales. The result states the average number of days' sales tied up in Receivables during the entire period. See NOTE below.
NOTE: Comparing the two collection period ratios, below and above, may suggest the direction in which AR collections are moving.
COLLECTION PERIOD (This Period) is used to appraise current accounts receivable (AR). This ratio is calculated by dividing accounts receivable at the end of this period by daily sales. The result shows the number of days' sales tied up in Receivables at the end of this period. See NOTE above.
COLLECTIVE INVESTMENT SCHEME, globally, is any arrangement for pooling several investors' funds so that the pooled fund can obtain economies of scale and a spread of investments beyond the reach of individual investors. It is usually called an investment company in the U.S.A.
COMMERCIAL BANK is a financial institution that provides commercial banking services. A commercial bank accepts deposits, gives business loans and provides other services to businesses.
COMMERCIAL ATTACHÉ is a business and trade expert on the staff of a consulate or embassy. They are responsible for promoting exports of their country's goods and are an excellent source of help.
COMMERCIAL LOAN is a short-term business loan usually issued for a term of up to six months.
COMMERCIAL PAPER is short-term obligations with maturities ranging from 2 to 270 days issued by corporations, banks, or other borrowers to investors who have temporarily idle cash on hand. Commercial paper is usually unsecured and discounted.
COMMON SIZE PERCENTAGES - In the Income Statement, each "Common Size %" is the field amount expressed as a percent of "Net Revenues." In the Balance Sheet, each "Common Size %" is the amount in the category as a percent of "Total Assets. "RATIO ANALYSIS" as prepared by Venture Line presents several standard "Key Ratios" to compare this firm to any of several standards. This firm's ratios may be compared to industry standards, to a single other firm of similar (or different) type, or to this firm's past or anticipated performance. In this analysis Venture Line uses industry data based upon the SIC Code of that particular listing (when available).
COMMON STOCK is the most frequently issued class of stock; usually it provides a voting right but is secondary to preferred stock in dividend and liquidation rights.
CONVERTIBLE is, usually, an asset capable of being exchanged for a specified equivalent (as another currency or security); e.g., a bond convertible to 20 shares of common stock.
COO is an acronym for Chief Operating Officer. The COO is responsible for the day-to-day management of a company. The COO usually reports to the CEO.

COMPOUND INTEREST is interest calculated from the total of original principal plus accrued interest.

COMPOUND JOURNAL ENTRY is a journal entry that involves more than one debit or more than one credit or both.

COMPTROLLER see CONTROLLER

CONDITIONAL SALES CONTRACT is a credit contract used for the purchase of equipment where the purchaser doesn't receive title of the equipment until the amount specified in the contract has been paid in full.

CONSIGNMENT is when goods are offered for sale on behalf of another without the seller actually purchasing or taking title to the goods. Only when there is a subsequent sale does the owner receive any payment.

CONSOLIDATED FINANCIAL STATEMENTS is the end financial statement that accounts for all assets, liabilities and operating accounts of a parent and all subsidiaries.

CONSULAR DECLARATION is a formal statement to the consul of a foreign country declaring the merchandise to be shipped.

CONTROLLER is usually an experienced accountant who directs internal accounting processes and procedures, including cost accounting.

CONVERTIBLE CURRENCY is any national currency that can be easily exchanged for that of another country.

CONVERTIBLE DEBT is a debt instrument which can be exercised into the security of the debtor in accordance with the conditions set forth in the debt instrument.

COOPERATIVE ADVERTISING is a joint advertising strategy under which costs are shared; e.g. by a manufacturer and another firm that distributes its products.

CONTINGENT LIABILITY, in corporate reports, are pending lawsuits, judgments under appeal, disputed claims, and the like, representing potential financial liability.

CONTRACTEE is the person or entity who will receive the goods or services under the provisions of the contract.

CONTRACTOR is the person or entity who will provide the goods or services under the provisions of the contract.

CONTRACT REVENUES are the revenues recognized under % of completion method.

COPYRIGHT is a form of legal protection used to safeguard original literary works, performing arts, sound recordings, visual arts, original software code and renewals.

CORE PROCESS - A process is a set of related and interdependent activities that transform an input to a system to an output with added value to a customer. It is the transformation of people, money, materials or information that is the value-added work of the organization. The CORE PROCESSES are those by which the organization creates its most value-added and essential transformations for the customers.

CORPORATION is a type of business organization chartered by a state and given many of the legal rights as a separate entity.

CORPORATION TAX is the tax payable by corporations.

CORRESPONDENT BANK is a bank having communications and business links with the seller's bank.

COST ACCOUNTING is a managerial accounting activity designed to help managers identify, measure, and control operating costs.

COST-BENEFIT ANALYSIS is the method of measuring the benefits anticipated from a decision by determining the cost of the decision, then deciding whether the benefit outweighs the cost of that decision.

COST CENTER is a section of an organization that only has costs associated with it, i.e., it normally does not produce revenue, e.g., Accounting, Purchasing, Personnel, etc.

COST OF CAPITAL/FUNDS is the rate of return that a business could earn if it so chose other investments with the equivalent risks. Also can be stated as opportunity cost of the funds used due to the investment decision.

COST OF GOODS SOLD (COGS) is the amount determined by subtracting the value of the ending merchandise inventory from the sum of the beginning merchandise inventory and the net purchases for the fiscal period.

COST-OF-LIVING LEASE is a lease where yearly increases are tied to the cost of living index.

COST PER THOUSAND (CPM) is advertising terminology used in buying media. CPM refers to the cost it takes to reach a thousand people within your target market.

COST PRINCIPLE is the idea that transactions are recorded at their historical costs or exchange prices at the transaction date.

CP is an acronym with many possible meanings, e.g., Capacity Planning, Central Procurement, Change of Plan (insurance), Claims Procedure (insurance), Commercial Paper, Community Property, Consumer Products, Contingency Plan, Contract Price, Change Proposal, etc.

C.P.A. means Certified Public Accountant.

CR, in accounting, is an acronym for Credit Record.

CRAT is an acronym for Charitable Remainder Annuity Trust.

CREATIVE ACCOUNTING is slang for the concept of maintaining accounts giving possibly illegal or dubious benefits to the entity for which the accounts are maintained.

CREDIT, in accounting, is an accounting entry system that either decreases assets or increases liabilities.

CREDITORS are the entities to which a debt is owed by another entity.

CRUT is and acronym for Charitable Remainder Unitrust.

CURRENT means, usually, within a one-year (12 month) period. Used to describe items on the balance sheet, e.g., assets and liabilities.

CURRENT ASSETS are those assets of a company that are reasonably expected to be realized in cash, or sold, or consumed during the normal operating cycle of the business (usually one year). Such assets include cash, accounts receivable and money due usually within one year, short-term investments, US government bonds, inventories, and prepaid expenses.

CURRENT COST ACCOUNTING is a system of accounting which adjusts for changing pricing.

CURRENT DEBT TO TOTAL DEBT shows Current Liabilities as a percent of Total Debt.

CURRENT LIABILITIES are liabilities to be paid within one year of the balance sheet date.

CURRENT MATURITIES-L/T/D is that portion of long term obligations which is due within the next fiscal year.

CURRENT RATIO is a commonly used measure of short-run solvency, the immediate ability of a firm to pay its current debts as they come due.
CUSTOMS are the authorities charged with collecting duty and controlling the entry of merchandise into a country.
CUSTOMS BROKER is an individual or firm licensed to process entry and clear goods into the country for another.

- D -

DAC, in accounting, is an acronym for Deferred Acquisition Costs.
DATE DRAFT is a payment option draft that matures in a specified number of days after the date issued.
DAYS' INVENTORY shows the average lengths of time items are in inventory.
DAYS SALES OUTSTANDING (DSO) is the average collection period on accounts receivable for sales revenue.
DBA (doing business as) is a legal entity (sole proprietorship, partnership, corporation) conducting business under any chosen name for which a business license has been issued.
DCAA, among others, is an acronym for Defense Contract Audit Agency.
DEBENTURE is a corporate IOU that is not backed by the company's assets and is therefore somewhat riskier than a bond.
DEBIT is a record of an indebtedness; specifically : an entry on the left-hand side of an account constituting an addition to an expense or asset account or a deduction from a revenue, net worth, or liability account.
DEBT RATIO measures the percent of total funds provided by creditors. Debt includes both current liabilities and long-term debt. Creditors prefer low debt ratios. The lower the ratio, the greater the cushion against creditor's losses in liquidation. Owners may seek high debt ratios, either to magnify earnings or because selling new stock would mean giving up control. Owners want control while "using someone else's money."
DEBT TO EQUITY (also DEBT/WORTH) measures the risk of the firm's capital structure in terms of amounts of capital contributed by creditors and that contributed by owners. It expresses the protection provided by owners for the creditors. In addition, low Debt/Equity ratio implies ability to borrow. While using Debt implies risk (required interest payments must be paid), it also introduces the potential for increased benefits to the firm's owners. When Debt is used successfully (operating earnings exceeding interest charges) the returns to shareholders are magnified through financial leverage.
DECLINING-BALANCE DEPRECIATION METHOD is an accelerated depreciation method in which an asset's book value is multiplied by a constant depreciation rate (such as double the straight-line percentage, in the case of double-declining-balance.). This depreciation method is allowed by the U.S. tax code and gives a larger depreciation in the early years of an asset. Unlike the straight line and the sum of the digits methods, both of which use the original basis to calculate the depreciation each year, the double declining balance uses a fixed percentage of the prior year's basis to calculate depreciation. The percentage rate is 2/N where N is the life of the asset. With this method, the basis never becomes zero. Consequently, it is standard practice to switch to another depreciation method as the basis decreases. Usually the

taxpayer will convert to the straight line method when the annual depreciation from the declining balance becomes less than the straight line.

DEEP POCKETS is a person or an organization having substantial financial resources.

DEFEASANCE CLAUSE is the clause in a mortgage that permits the mortgagor to redeem his or her property upon the payment of the obligations to the mortgagee.

DEFERRED, in accounting, is any account where the asset or liability is not realized until a future date, e.g. annuities, charges, taxes, income, etc. The deferred item may be carried, dependent on type of deferral, as either an asset or liability.

DEFERRED ASSET is an amount owed to an entity that is not expected to be received by that entity within one year from the date of the balance sheet.

DEFERRED PAYMENT CREDIT is a type of a letter of credit where payment is made at a specified interval after collection papers are submitted.

DEFERRED DEVELOPMENT COSTS is the non-recognition of costs of development until such until some condition(s) is satisfied.

DEFERRED REVENUE is a liability account used for deposits and other cash receipts prior to the completion of the sale.

DEFERRED TAXES refers to all deferred taxes.

DELINQUENCY RATIO is the ratio of past-due loans to total number of loans serviced.

DELTA, in securities trading, is the relationship between an option price and the underlying futures contract or stock price. In general usage, it is the difference between two empirical data points, e.g. the delta between 4 and 6 is 2.

DEMOGRAPHICS are the attributes such as income, age, and occupation that best describe your target market.

DEPLETION is the process of cost allocation that assigns the original cost of a natural resource to the periods benefited. For example: a mining company purchases mineral rights to a deposit for $5 million for a period of ten years. The cost of the natural resource, $5 million, will be depleted over the ten years of the benefit.

DEPOSITORY ACCOUNT are those accounts where assets; e.g. cash or securities; are placed on deposit in favor of the depositor.

DEPRECIATION is the amount of expense charged against earnings by a company to write off the cost of a plant or machine over its useful live, giving consideration to wear and tear, obsolescence, and salvage value. If the expense is assumed to be incurred in equal amounts in each business period over the life of the asset, the depreciation method used is straight line (SL). If the expense is assumed to be incurred in decreasing amounts in each business period over the life of the asset, the method used is said to be accelerated. Two commonly used variations of the accelerated method of depreciating an asset are the sum-of-years digits (SYD) and the double-declining balance (DDB) methods. Frequently, accelerated depreciation is chosen for a business' tax expense but straight line is chosen for its financial reporting purposes.

DERIVATIVE is a financial instrument whose characteristics and value depend upon the characteristics and value of an underlying instrument or asset.

DEVALUATION, in economics, is the lowering in value of one currency in relation to other currencies.

DILUTED EARNINGS PER SHARE are earnings per share, including common stock, preferred stock, unexercised stock options, and some convertible debt. Diluted earnings per share are usually a more accurate reflection of the company's real earning power.

DILUTION is the diminution in the proportion of income to which each share is entitled.

DIRECT COST is that portion of cost that is directly expended in providing a product or service for sale and is included in the calculation of COST OF GOODS SOLD, e.g. labor and inventory.

DIRECT EXPENSE is that portion of expense that is directly expended in providing a product or service for sale and is included in the calculation of COST OF GOODS SOLD, e.g. labor and inventory.

DISABILITY INSURANCE, in the United States, is a payroll tax required in some states that is deducted from employee paychecks to insure income during periods where an employee is unable to work due to an injury or illness.

DISBURSEMENT is the paying out of money to satisfy a debt or an expense.

DISCLOSURE DOCUMENT PROGRAM, in the United States, is a form of legal protection that safeguards intellectual property while it is in its development stages.

DISCOUNT, dependent upon usage, can mean:

Difference between a bond's current market price and its face value

Manner of selling securities such as Treasury bills, which are issued at less than face value and are redeemed at face value

Relationship between two currencies, e.g., the Canadian dollar may sell at a discount to the U.S. dollar

To apply all available news about a company in evaluating its current stock price, e.g., taking into account the introduction of an exciting new product

Method whereby interest on a bank loan or note is deducted in advance

Reduction in the selling price of merchandise

Percentage off the invoice price in exchange for quick payment

DISCOUNTED CASH FLOW is a valuation method best used to evaluate a business established for the purpose of fulfilling a specific project, in certain startup and other companies where cash flow is more important than net income, and when a certain time frame is set where an investor wishes to see his investment returned over a specific period of time. In discounted cash flow, the present value of liabilities is subtracted from the combined present value of cash flow and tangible assets, which determines the value of the business.

DISCOUNTED EARNINGS determines the value of a business based upon the present value of projected future earnings, discounted by the required rate of return (capitalization rate). Usually, the question is how well earnings are projected.

DISCOUNT RATE is the interest rate that the Federal Reserve of the U.S. Government charges a U.S. bank to borrow funds when a bank is temporarily short of funds. Collateral is necessary to borrow, and such borrowing is quite limited because the Fed views it as a privilege to be used to meet short-term liquidity needs, and not a device to increase earnings.

DISCREPANCY, in import / export, is a situation relating to official documents that are presented that do not conform to what is required within the Letter of Credit.

DISCRETIONARY means it is not mandatory, it is up to the individual or company.

DISCRETIONARY ACCRUAL is a non-mandatory expense/asset that is recorded within the accounting system that has yet to be realized. An example of this would be management bonus'.

DISCRETIONARY INCOME means the amount of a company's income available for spending after the essentials have been met.

DISTRIBUTIONS are payments from fund or corporate cash flow. May include dividends from earnings, capital gains from sale of portfolio holdings and return of capital. Fund distributions can be made by check or by investing in additional shares. Funds are required to distribute capital gains (if any) to shareholders at least once per year. Some corporations offer Dividend Reinvestment Plans (D.R.P.).

DIVIDEND is that portion of a corporation's earnings which is paid to the stockholders.

DIVIDEND CAPITALIZATION: Since most closely held companies do not pay dividends, when using dividend capitalization valuators must first determine dividend paying capacity of a business. Dividend paying capacity based on average net income and on average cash flow are used. To determine dividend paying capacity, near term capital needs, expansion plans, debt repayment, operation cushion, contractual requirements, past dividend paying history of a business and dividends of a comparable company should be investigated. After analyzing these factors, percent of average net income and of average cash flow that can be used for the payment of dividends can be estimated. What also must be determined is the dividend yield, which can best be determined by analyzing comparable companies. As with the price earnings ratio method, this usually produces a subjective result.

DIVIDEND PAYOUT RATIO is a measure of the percentage of earnings paid out in dividends; computed by dividing cash dividends by the net income available to each class of stock.

DIVIDEND YIELD is the annual rate of return, expressed as a percentage, on an investment.

DOCK RECEIPT is a document issued by the ocean carrier of a shipment acknowledging receipt of the goods to be shipped.

DOCUMENTARY CREDIT is an arrangement by banks for settling international business transactions. A letter of credit is a form of documentary credit.

DOLLAR CONTROL SYSTEMS are systems used in inventory management that reveals the cost and gross profit margin on individual inventory items.

DOLLAR-WEIGHTED RATE OF RETURN is also called the internal rate of return; the interest rate that makes the present value of the cash flows from all the sub-periods in an evaluation period plus the terminal market value of the portfolio equal to the initial market value of the portfolio.

DOUBLE-ENTRY ACCOUNTING is a system of recording transactions in a way that maintains the equality of the accounting equation. The accounting technique records each transaction as both a credit and a debit.

DR, in accounting, is an acronym for Debit Record.

DRAFT, in import / export, is a contract between buyer and seller that the buyer will pay a certain amount of money, within a specified period of time, for the goods purchased.

DRAFT, DEMAND OR SIGHT, in import / export, is a draft payable upon presentation to the drawee. It may be used when the exporter wishes to retain control of the shipment for credit or title retention reasons. The buyer must pay the bank before receiving the documents to take custody of the goods. A COD shipment is similar.

DRAWEE is the buyer of a draft instrument.

DUE DILIGENCE usually refers to an internal audit of a target firm by an acquiring firm.

DUMPING is the selling of merchandise in a foreign country at, or, below cost in order to seize market share.

DUN & BRADSTREET (D&B) is a United States based for profit agency that furnishes subscribers with marketing statistics and the financial standings and credit ratings of businesses.

DUTY is a tax imposed by a customs authority on imported goods. Often used interchangeably with the term "tariff."

-E -

EARNED INCOME is that income realized by the provisioning of goods and services.

EARNING POWER is earnings before interest and taxes (EBIT) divided by total assets.

EARNINGS PER SHARE (EPS) is the amount of net income (earnings) related to each share of stock; computed by dividing net income by the number of shares of common stock outstanding during the period.

EBITDA means Earnings Before Interest, Taxes, Depreciation and Amortization, but after all product / service, sales and overhead (SG&A) costs are accounted for. Sometimes referred to as Operating Profit.

E.C. (EUROPEAN COMMUNITY or EUROPEAN COMMON MARKET) is a trading block of countries in Europe that have agreed on common regulations on cross-border trade.

ECONOMIC BOOK VALUE allows for a book value analysis that adjusts the assets to their market value. This valuation allows valuation of goodwill, real estate, inventories and other assets at their market value.

ECONOMIC VALUE (EV) is the value of an asset deriving from its ability to generate income.

ECONOMIC VALUE ADDED (EVA) measures the difference between the return on a companies capital and the cost of that capital. A positive EVA indicates that value has been created for shareholders; a negative EVA signifies value destruction.

EFFICIENT MARKET THEORY is the hypothesis that market prices reflect the knowledge and expectations of all investors. Within this theory, investors who adhere to it believe it to be highly improbable that market movement can be predicted, i.e., using darts to chose stocks are just as effective as stock or market analysis.

EMC (EXPORT MANAGEMENT COMPANY) is a private company that serves as the export agent for manufacturers, being paid by commission or retainer. Merchandise is not normally purchased by the EMC.

ENCUMBERED is when an asset is owned by one party subject to the legal claims of another party. One example is a homeowner that owns a home that is subject to (encumbered by) the claims of the mortgage holder.

ENTERPRISE VALUE is the market value of a corporation's total capitalization: equity plus debt, less the value of assets peripheral to the firm's core businesses.

ENTERPRISE ZONE is a depressed neighborhood, usually in an urban area, where businesses are given tax incentives and are not subject to some government regulations. These advantages are designed to attract new business in the zone.

ENTREPRENEUR is the person who assumes the financial risk of the initiation, operation and management of a given business or undertaking. He/She is primarily a financial and/or professional risk taker almost to the extreme.

EPS (earnings per share) is the amount of net income (earnings) related to each share of stock; computed by dividing net income by the number of shares of common stock outstanding during the period.

EQUIPMENT LOAN is a loan used for the purchase of capital equipment.

EQUITY is, normally, ownership or percentage of ownership in a company or items of value.

EQUITY CAPITAL is a form of financing where equity in a business is sold to private investors.

EQUITY METHOD is a method of accounting for investments in associated companies.

EQUITY MULTIPLIER (TA/Equity) (or, Financial Leverage) is a measure of the Assets owned by the company divided by the Claims of the Owners (Equity). The Equity Multiplier shows the amount of assets owned by the firm for each dollar of Owner Claims held by Stockholders. The Equity Multiplier is also called Financial Leverage. The Equity Multiplier shows the amount of assets owned by the firm for each dollar of Owner Claims held by Stockholders.

ESTATE is the entire group of assets owned by an individual at the time of his or her death. The estate includes all funds, personal effects, interests in business enterprises, titles to property-real estate and chattels, and evidences of ownership such as stocks, bonds and mortgages owned, notes receivable, etc. All claims against an estate must be duly filed with the Executor or Administrator of the estate, and approved by the court of law under which the will is being probated or the line of heritage is being determined before the indebtedness may be satisfied.

ESTATE TAXES are the Federal taxes levied on the transfer of property from the deceased to his or her heirs, legatees or devisees.

ETC (EXPORT TRADING COMPANY) is a private company that usually purchases items from domestic manufacturers, then sells them to foreign markets. The difference between an EMC and an ETC is sometimes insignificant, i.e., an EMC may occasionally take title of goods, while an ETC may sometimes work strictly on commission without purchasing the goods. The difference is what the company normally does.

EV (economic value) is the value of an asset deriving from its ability to generate income.

EVENT RISK is the risk that the ability of an issuer to make interest and principal payments will change because of rare, discontinuous, and very large, unanticipated changes in the market environment such as (1) a natural or industrial accident or some regulatory change or (2) a takeover or corporate restructuring.

EXECUTOR is a legal entity, frequently an individual, known before death to a testator, who is named in the testator's will to carry out the desires of the deceased after his death as designated in the will. Executors must be approved by the court of law probating the will. An executor pays all indebtedness as claimed by creditors of the estate, with the approval of the court of law, and then carries out or executes the will according to the terms set forth by the testator.

EX-FACTORY is where a seller's responsibility ends when the buyer at point of origin, i.e., factory, accepts merchandise. This can also be written as Ex-Warehouse, Ex-works, etc.

EXPENDITURE is a cost incurred in the normal course of business to generate revenues. See expenses.

EXPENSES are the daily costs incurred in running and maintaining a business. See expenditure.

EXPLORATORY RESEARCH is a method used when gathering primary information for a market survey where targeted consumers / customers are asked very general questions geared toward eliciting a lengthy answer.

EXPORT BROKER is an entity that brings together foreign buyers with domestic manufacturers for a fee, generally providing little other services. An EMC, who is also a middleman, often provides extensive services to complete the transaction as well.

EXPORT DECLARATION is the official paperwork required of exporters so trade transactions and goods can be tracked.

EXPORT LICENSE is the governmentally issued legal permit to export merchandise. In the U.S., it is either a general license requiring no additional paperwork or a validated license for certain federally controlled items.

EXPOSURE, in business, is the condition of being unprotected, especially the condition of being subject to some negative financial effect or influence.

EXTRAORDINARY ITEM is a nonrecurring occurrence that must be explained to shareholders in an annual or quarterly report of financial or operational results.

- F -

FACTORING is the practice of buying debt at a discount, e.g., if somebody owes you $10,000 payable within a year, a factoring lender may pay you $9,000 for the debt. You receive $9,000 cash quickly, but at the cost of the $1,000 discount.

FAIR LABOR STANDARDS ACT is a U.S. federal law that enforces a group of minimum standards that employers must abide by when hiring employees.

FAIR MARKET VALUE is the price at which a willing seller will sell and a willing buyer will buy, in an arms- length transaction, when neither is under compulsion to sell or buy and both have reasonable knowledge of relevant facts.

F.A.S. (FREE ALONG SIDE), e.g. "F.A.S. New York", means that, for instance, if goods are shipped from the State of Nevada in the U.S. to Madrid, Spain, no charges for shipment are made to the importer until the goods are "free alongside the vessel" in New York. After this point, charges may be applied to the importer.

FASB is the Financial Accounting Standards Board

FBWT, in finance, is Fund Balance with Treasury

FCIA (FOREIGN CREDIT INSURANCE ACT) is an ExImBank program that offers credit insurance against losses due to political conflict or buyer default.

FICA (FEDERAL INSURANCE CONTRIBUTIONS ACT) is the U.S. law requiring U.S. employers to match the amount of Social Security tax deducted from an employee's paycheck.

FICTITIOUS NAME is often referred to as a DBA, "Doing Business As," a fictitious name is frequently used by sole proprietors or partnerships to provide a name, other than those of the owners or partners, under which the business will operate.

FINANCIAL LEVERAGE is the use of debt to increase the expected return on equity. Financial leverage is measured by the ratio of debt to debt plus equity.

F.F. & E, in real estate, means Furniture, Fixtures and Equipment.

FFO - FUNDS FROM OPERATIONS is used by real estate and other investment trusts to present the cash flow from trust operations i.e., earnings plus depreciation and amortization.

FIFO (first-in, first-out) is an inventory cost flow whereby the first goods purchased are assumed to be the first goods sold so that the ending inventory consists of the most recently purchased goods.

FINANCIAL ACCOUNTING is the area of accounting concerned with reporting financial information to interested external parties.

FINANCIAL ANALYSIS is analysis of a company's financial statement, usually by accountants or financial analysts.

FINANCIAL RESULTS usually refers to the summary financial results provided in compliance to the GAAP guidelines. They can cover any period(s), but usually cover either: single month, quarter, or annual periods.

FISCAL is an accounting period of 12 months.

FISCAL YEAR is the declared accounting year for a company, but it is not necessarily in conformance to a calendar year (January through December). However, it does cover twelve months, 52 weeks, 365 days. For example, the U.S. government fiscal year ends September 30, i.e. October 1 through September 30 is their fiscal or accounting year.

FIXED ASSETS are those assets of a permanent nature required for the normal conduct of a business, and which will not normally be converted into cash during the ensuring fiscal period. For example, furniture, fixtures, land, and buildings are all fixed assets. However, accounts receivable and inventory are not.

FIXED ASSETS (NET) is all property, plant, leasehold improvements and equipment, net of accumulated depreciation or depletion.

FIXED ASSETS (NET) / NET WORTH measures the extent to which the owner's equity has been invested in plant and equipment (net fixed assets). A lower ratio indicates proportionately smaller investment and a better "cushion" for creditors in case of liquidation. This may be important if the fixed assets are not easily used in other businesses. The presence of substantial leased fixed assets (not shown on the balance sheet) may deceptively lower this ratio. This ratio is also referred to as FIXED/WORTH.

FIXED ASSET TURNOVER measures management's ability to generate revenues from investments in fixed assets. Fixed Asset Turnover considers only the firm's investment in property, plant and equipment and is extremely important in high asset firms such as manufactures. Generally, the higher this ratio, the smaller the investment required to generate sales, thus the more profitable the firm.

FIXED COSTS are operating expenses that are incurred to provide facilities and organization that are kept in readiness to do business without regard to actual volumes of production and sales. Fixed costs remain relatively constant until changed by managerial decision. Within general limits they do not vary with business volume. Examples of fixed costs consist of rent, property taxes, and interest expense.

FIXED EXPENSES are those expenses that must be paid each month and do not fluctuate with the sales volume.
FLAT LEASE is a lease where the cost is fixed for a specific period of time.
FOOTING, in accounting, is the sum of a column of figures.
F.O.B. (FREE ON BOARD), e.g. "F.O.B New York", is where the importer would pay all costs for shipping from one point (New York) on to the final destination.
F.O.R. (FREE ON RAILROAD) is where goods will be delivered by the exporter to a railway station. The importer is responsible from this point on.
FOREIGN SALES AGENT or REPRESENTATIVE is an entity that works to sell your merchandise in a foreign country. Equivalent to the "Manufacturer's Representative" in the U.S.
FREE CASH FLOW is net income plus non-cash charges to income, specifically depreciation and amortization less capital expenditures, to sustain the basic business.
FREE TRADE AGREEMENT is an agreement between countries that will result, over an agreed period of time, in an elimination of duties for goods flowing between the signatories.
FREE TRADE ZONE (FTZ) is an area, usually a port of entry, designated by the country for duty-free entry of goods. As long as the goods do not go into the country from the FTZ, no duty is assessed. While in the FTZ, goods may be processed, packaged, serviced or displayed.
FREIGHT FORWARDER is an individual or firm that provides for the packing and shipping of merchandise. Generally they also assist with export and other documentation.
FREQUENCY, in advertising, is the number of times you hope to reach your target audience through your advertising campaign.
FRF is an acronym for French Francs.
FSA has several possible meanings, e.g. Flexible Spending Account (employee benefit offered by some companies) or Funding Standard Account.
FULL DISCLOSURE, generally, is the requirement to disclose all relevant or material facts to a transaction.

- G -

GAAP see GENERALLY ACCEPTED ACCOUNTING PRINCIPLES.
G&A usually refers to the indirect overhead costs contained within the General and Administrative expense / cost categories (see also SG&A).
GAI is Guaranteed Annual Income.
GASB is the Governmental Accounting Standards Board
GATT (GENERAL AGREEMENT ON TARIFFS AND TRADE) is a multilateral treaty that aims to reduce trade barriers and increase trade. The GATT was an interim treaty process that has now culminated in the World Trade Organization (WTO).
GEARING is the proportion of the capital employed of a company that is financed by lenders rather than shareholders
GENERAL LEDGER is the accounting records that show all the financial statement accounts of a business.
GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) The guiding conventions, rules, and procedures that define accepted accounting practice at a particular time in the U.S.

GENERAL PARTNERSHIP is one or more partners who are jointly and severally responsible or liable for the debts of the partnership.

GLOBAL CUSTODY is a term used within the investment banking industry in defining securities/monetary instruments that are traded internationally by Global Custodians. Those securities would be held in "Global Custody". Chase Bank originated the concept of providing Global Custody trading services for institutional investors trading in foreign markets in 1974. Banks recognized as Global Custodians provide their customers with Global Custody services in respect to securities traded and settled not only in the country in which the Global Custodian is located but also in numerous other countries throughout the world.

GLOBAL DEPOSITORY RECEIPTS are receipts evidencing ownership in the underlying shares of a foreign company. Generally, U.S. banks and trusts issue American depository receipts (ADR) and American depository shares (ADS). They hold the foreign company securities underlying the receipts in their vaults. In addition to the underlying securities, the receipts entitle the shareholder to all dividends and capital gains. The bank or trust company issuing the receipts may have denominated the receipts in a currency other than the currency underlying the foreign security. U.S. and European banks and trust companies usually issue global depository receipts (GDR), which are receipts in the shares of global offering of a foreign issuer who has issued two securities simultaneously in two markets, usually publicly in non-U.S. markets and privately in the U.S. market. European banks and trust companies generally issue European depository receipts (EDR), sometimes called continental depository receipts (CDR) when issued in bearer form, which evidence ownership in foreign securities.

GOING CONCERN refers to the liquidity of a concern. If the concern is illiquid, the viability of that concern being able to continue to operate is in doubt.

GOODWILL is that intangible possession which enables a business to continue to earn a profit that is in excess of the normal or basic rate of profit earned by other businesses of similar type. The goodwill of a business may be due to a particularly favorable location, its reputation in the community, or the quality of its employer and employees. The evidence that goodwill exists is the proven ability to earn excess profits. Goodwill is created on the books of a newly purchased company to the extent that the purchase price of the company is greater than the value of its net tangible assets.

GRANTEE is the person or entity to whom property or assets are transferred.

GRANTOR is the person or entity who transfers property or assets.

GROSS CONTRIBUTION is the starting amount prior to any relevant deductions have been made to the gross amount, e.g., Gross Contribution to Margin.

GROSS PROFIT is net sales minus cost of sales.

GROSS PROFIT MARGIN ON SALES shows the relationship between sales and the direct cost of products/services sold. It measures the ability of both to control costs and to pass along price increases through sales to customers.

GROSS RECEIPTS is the total amount received prior to the deduction of any allowances, discounts, credits, etc.

GROSS SALES is the total revenue at invoice value prior to any discounts or allowances.

GROSS WEIGHT is the weight of a shipment including packing material.

GROUP ACCOUNTS are the financial statements of a group of companies. These are usually presented in the form of consolidated accounts.

- H -

HARMONIZED SYSTEM is an internationally agreed upon classification system for trade. It provides code numbers to specify a goods classification; thereby making customs duty determination more predictable.

HEAD OF HOUSEHOLD is a U.S. income tax filing status that can be used by an unmarried person who maintains a home for a dependent (or nondependent relative) during the tax year.

HEDGE is a transaction or action that tends to reduce the risk.

HISTORICAL COST ACCOUNTING is an accounting principle requiring all financial statement items to be based on original cost. It is usually based upon the dollar amount originally exchanged in an arm's-length transaction; an amount assumed to reflect the fair market value of an item at the transaction date.

HOLDING COMPANY is a company which owns or controls other companies. (Control can occur through the ownership of 50 per cent or more of the voting rights or through the exercise of a dominant influence.)

HURDLE RATE is a term used in the budgeting of capital expenditures meaning the REQUIRED RATE OF RETURN in a DISCOUNTED CASH FLOW analysis. If the expected rate of return on an investment is below the hurdle rate, the project is not undertaken. The hurdle rate should be equal to the INCREMENTAL COST OF CAPITAL.

HYBRID INSTRUMENT is a package containing two or more different kinds of risk management instruments that are usually interactive.

HYPOTHECATION, in securities, is the pledging of securities to brokers as collateral for loans made to cover short sales or purchase securities. In banking, it is the pledging of property to secure a loan.

- I -

IMA, in accounting, refers to the Institute of Management Accountants.

IMPAIRED ASSETS, in banking, applies to all problem assets which banks hold, and is not limited to problem loans. In addition to loans, it also captures off- balance sheet exposures and assets which have come onto banks balance sheets through enforcement of security conditions.

IMPUTED COSTS refer to the cost of an asset, service, or company that is not physically recorded in any accounts but is implicit in the product.

IMPUTED VALUE is the logical or implicit value that is not recorded in any accounts, e.g., in the projection of annual figures, values are imputed for months for which the actual values are not yet known.

INCOME is money received by a person or organization because of effort (work), or from return on investments.

INCOME TAXES PAYABLE is income taxes due including current portion of deferred taxes.

INCOME CAPITALIZATION: First you must determine the capitalization rate - a rate of return required to take on the risk of operating the business (the riskier the business, the higher the required return). Earnings are then divided by that capitalization rate. The earnings figure to be capitalized should be one that reflects the true nature of the business, such as the last three years average, current year or projected year. When determining a capitalization rate you should compare with rates available to similarly risky investments.

INCREMENTAL COST OF CAPITAL is the weighted cost of the additional capital raised in a given period. Weighted cost of capital, also called composite cost of capital, is the weighted average of costs applicable to the issues of debt and classes of equity that compose the firm's capital structure. Also called marginal cost of capital.

INDENTURE is an agreement between lender and borrower which details specific terms of the bond issuance. Specifies legal obligations of bond issuer and rights of bondholders. There is usually a indenture document spelling out the specific terms of a bond as well as the rights and responsibilities of both the issuer of the security and the holder.

INDIRECT COST is that portion of cost that is indirectly expended in providing a product or service for sale and is included in the calculation of COST OF GOODS SOLD, e.g. rent, utilities, equipment maintenance, etc.

INDUSTRIAL REVENUE BOND (I.R.B.) is a bond issued by local government agencies in favor of corporations.

INFLATION is an increase in the general price level of goods and services; alternatively, a decrease in the purchasing power of the dollar or other currency.

INFLATION ACCOUNTING is a system of accounting which, unlike historical cost accounting, takes into account changing prices.

INFRASTRUCTURE is the resources (as personnel, buildings, or equipment) required for an activity.

INSOLVENCY occurs when a business is unable to pay debts as they fall due.

INSTALLMENT SALE is selling property and receiving the sales price over a series of payments, instead of all at once at the close of the sale, is an installment sale. Unless you elect out, you will report the gain on that transaction as you receive it through the series of payments.

INTANGIBLES (NET) are intangible assets, including goodwill, trademarks, patents, catalogs, brands, copyrights, formulas, franchises, and mailing lists, net of accumulated amortization.

INTERNAL RATE OF RETURN (IRR) is also called the dollar-weighted rate of return; the interest rate that makes the present value of the cash flows from all the sub-periods in an evaluation period plus the terminal market value of the portfolio equal to the initial market value of the portfolio.

INVENTORY is anything constituting inventory for the firm.

INVENTORY LOAN is loan that is extended based upon the, usually, discounted / factored value of a business' inventory.

INVENTORY TURNS (Avg. Annual) measures the average efficiency of the firm in managing and selling inventories (INV) during the last period. Turns must balance efficiency needs with service levels by the number of times the firm can fulfill customer orders using current inventory.

INVESTMENT BANKER is an entity, acting as underwriter or agent, which serves as intermediary between an issuer of securities and the investing public.

INVESTMENT TAX CREDIT is a tax credit in the United States that allows businesses to write-off a portion of the cost of purchasing equipment for business use.

INVESTMENT TURNOVER is a profitability measure used to calculate the number of times per year an investment or assets revolve.

INVOICE is an itemized list of goods shipped usually specifying the price and the terms of sale.

INVOICE, COMMERCIAL is a legal document that functions internationally as a bill of sale. It usually contains the exporting company, contents of the shipment, amount charged, name of carrying vessel, order number and payment terms.

INVOICE, CONSULAR is an invoice stamped or endorsed by the consulate of the country requiring such.

IPO (INITIAL PUBLIC OFFERING) is the first or primary offering of stock to the public.

- J -

JD means Juris Doctor. A law degree.

JOINT RETURN is a US income tax filing status that can be used by a married couple. The married couple must be married as of the last day of their tax year in order to qualify for this filing status. A married couple can also elect to file as married, filing separate returns.

JOINT VENTURES & INVESTMENTS is the total of investments and equity in joint ventures.

JUST-IN-TIME (JIT) is a management philosophy that strives to eliminate sources of manufacturing waste by producing the right part in the right place at the right time.

- K -

KEOGH is a pension plan in the United States that allows a business to contribute a portion of profits into a tax-sheltered account.

KEYNESIAN GROWTH MODELS are models in which a long run growth path for an economy is traced out by the relations between saving, investing and the level of output.

KEYNESIAN MACROECONOMICS is the theory that shows how a market-based capitalist economy may reach equilibrium with large scale unemployment and how government spending may be used to raise it out of this to a new equilibrium at the full-employment level of output.

KITING, when used in the context of banking, refers to the practice of depositing and drawing checks at two or more banks and taking advantage of the time it takes for the second bank to collect funds from the first bank. Can also refer to illegally increasing the face value of a check by changing the printed amount of the check. When used in the context of securities, it refers to the manipulation and inflation of stock prices.

- L -

LAND, in terms of accounting, is the value of real estate less the value of improvements, e.g. buildings.

LARGE-CAP is a stock with a level of capitalization of at least $5 billion market value.

LEASEHOLD IMPROVEMENTS are those repairs and / or improvements, usually prior to occupancy, made to a leased facility by the lessee. The cost is then added to fixed assets and amortized over the life of the lease.

LEDGER is a book containing accounts to which debits and credits are posted from books of original entry.

LEGAL ENTITY is a person or organization that has the legal standing to enter into contracts and may be sued for failure to perform as agreed in the contract, e.g., a child under legal age is not a legal entity, while a corporation is a legal entity since it is a person in the eyes of the law.

LETTER OF CREDIT (LOC) is a legal document issued by a buyer's bank that upon presentation of required documents payment would be made. Usually confirmed by the seller's bank, protection is given to the seller that payment will be made if the goods are shipped correctly, and protection is given to the seller that the goods will be shipped before payment is made.

LETTER OF CREDIT, CONFIRMED is a letter of credit that is guaranteed by a bank that is acceptable to a seller (usually a local bank), regardless of buyer's bank.

LETTER OF CREDIT, IRREVOCABLE is a letter of credit where payment is guaranteed as long as the seller meets all conditions stipulated. A revocable letter of credit can be cancelled or altered by the buyer without permission of the seller.

LEVERAGE is property rising or falling at a proportionally greater amount than comparable investments. For example, an option is said to have high leverage relative to the underlying stock because a price change in the stock may result in a relatively large increase or decrease in the value of the option. In general, in finance, leverage is the use of debt financing. Leverage, within a corporation, is the use of borrowed money to increase the return on investment. For leverage to be positive, the rate of return on the investment must be higher than the cost of the money borrowed.

LEVERAGED BUY-OUT (LBO) is a transaction used for taking a public corporation private, financed through the use of debt funds: bank loans and bonds. Because of the large amount of debt relative to equity in the new corporation, the bonds are typically rated below investment grade, properly referred to as high-yield bonds or junk bonds. Investors can participate in an LBO through either the purchase of the debt (i.e., purchase of the bonds or participation in the bank loan) or the purchase of equity through an LBO fund that specializes in such investments.

LEVERAGE RATIOS measures the relative contribution of stockholders and creditors, and of the firm's ability to pay financing charges. Value of firm's debt to the total value of the firm.

LIABILITY, in insurance, is a term used when analyzing insurance risks that describes possible areas of financial exposure / loss. Presently, there are three forms of liability coverage that insurers will underwrite: The first is general liability, which covers any kind of bodily injury to non-employees except that caused by automobiles and professional malpractice. The second is product liability, which covers injury to customers arising as a direct result of goods purchased from a business. The third is public liability, which covers injury to the public while they are on the premises of the insured.

LIABILITY, in accounting, is a loan, expense, or any other form of claim on the assets of an entity that must be paid or otherwise honored by that entity.

LIFO (last-in, first-out) is an inventory cost flow whereby the last goods purchased are assumed to be the first goods sold so that the ending inventory consists of the first goods purchased.

LIKE KIND, in taxes, refers to property that is similar to another for which it has been exchanged: real estate exchanged for real estate, for instance. The definitions of like kind properties can be found in the US Tax Code at Section 1031.

LIMITATION, in contracts, is a certain period limited by statute after which actions, suits, or prosecutions cannot be brought in the courts.

LINE OF CREDIT is typically an informal arrangement between a bank and a customer establishing a maximum loan balance that the bank will permit the borrower to maintain.

LIQUID ASSET is cash or other assets that can be quickly converted to cash.

LIQUIDATION is the process of dissolving a business by selling the assets, paying the debts, and distributing the remaining equity to the owners.

LIQUIDATION VALUE is a type of valuation similar to an adjusted book value analysis. Liquidation value is different than book value in that it uses the value of the assets at liquidation, which is often less than market and sometimes book. Liabilities are deducted from the liquidation value of the assets to determine the liquidation value of the business. Liquidation value can be used to determine the bare bottom benchmark value of a business, since this should be the funds the business may bring upon valuation.

LIQUIDITY is a company's ability to meet current obligations with cash or other assets that can be quickly converted to cash.

LISTED COMPANY is a public company listed or quoted on a stock exchange.

LISTED INVESTMENTS are those investments which are listed or quoted on a stock exchange.

LOAN COVENANT is a legally enforceable promise or restriction in a mortgage. For example, the borrower may covenant to keep the property in good repair and adequately insured against fire and other casualties. A breach of covenant in a mortgage usually creates a default, defined by the mortgage, and can be the basis for foreclosure.

LONG-LIVED ASSETS are usually those assets that are not consumed during the normal course of business, e.g. land, buildings and equipment, etc.

LONG TERM DEBT is all senior debt, including bonds, debentures, bank debt, mortgages, deferred portions of long term debt, and capital lease obligations.

LONG-TERM DEBT TO EQUITY expresses the relationship between long-term capital contributions of creditors as related to that contributed by owners (investors). It expresses the degree of protection provided by the owners for the long-term creditors.

LONG-TERM LIABILITIES are liabilities of a business that are due in more than one year. An example of a long-term liability would be a mortgage payable.

LOSSES are costs that provide no benefit to an organization.

- M -

MANAGEMENT ACCOUNTING is the area of accounting concerned with providing internal financial reports to assist management in making decisions.

MANUAL TAG SYSTEM is a inventory tracking system used in inventory management that tracks inventory using tags removed at the point of purchase.

MARGIN (Stocks) allows investors to buy securities/assets by borrowing money from a broker/banker. The margin is the difference between the market value of a stock/asset and the loan a broker/banker makes.

MARGIN ACCOUNT (Stocks) is a leverageable account in which stocks can be purchased for a combination of cash and a loan. The loan in the margin account is collateralized by the stock and, if the value of the stock drops sufficiently, the owner will be asked to either put in more cash, or sell a portion of the stock. Margin rules are federally regulated, but margin requirements and interest may vary among broker/dealers.

MARGIN CALL (Stocks) is a demand for additional funds because of adverse price movement is a stock.

MARKET VALUE, in general, is the price at which buyers and sellers trade similar items in an open marketplace. In the absence of a market price, it is the estimated highest price a buyer would be warranted in paying and a seller justified in accepting, provided both parties were fully informed and acted intelligently and voluntarily.

MARINE INSURANCE is insurance coverage protecting against loss or damage of goods transported by sea.

MARKUP is the amount added to the cost of goods in order to produce the desired profit.

MATERIALITY is the importance of information or an event that influences a company's price of stock.

MATERIALS are physical goods (and their cost) used in the manufacture of a product, often separated into DIRECT MATERIAL (that which goes directly into the product such as cream into ice cream, or steel into cars) and INDIRECT MATERIAL (that which is used in maintaining the manufacturing environment such as cleaning fluids or oil for lubrication of manufacturing equipment). Indirect materials are usually part of the overhead component of cost. The term material, when used without the direct or indirect qualifier, usually refers to direct materials.

MEDIA PLAN, in advertising, is the plan that details the usage of media in an advertising campaign including costs, running dates, markets, reach, frequency, rationales, and strategies.

MER (Management Expense Ratio) is the percentage of the assets that were spent to run a mutual fund. It includes things like management and advisory fees, travel costs and 12b-1 fees. The expense ratio does not include brokerage costs for trading the portfolio. Also referred to as the Expense Ratio.

MID-CAP is a stock with a capitalization, total equity value, between $500 million and $5 billion.

MIDDLE MARKET COMPANY: see Mid-Cap.

MINIMUM WAGE is the lowest compensation you are allowed to pay an employee for hourly work. It is defined by Federal, state, and sometimes local laws. State or local laws may be more restrictive than Federal law, and certainly may differ.

MINORITY INTEREST is the interest or percentage ownership of a group of stockholders who, in total, own less than 50% of the shares in the corporation.

MISCELLANEOUS INCOME is that income realized that is not directly related to the sale of standard products and services.

MODIFIED ACCELERATED COST RECOVERY SYSTEM (MACRS) is a system used in accounting to define the rate and method under which a fixed asset will be depreciated for tax purposes.

MONETIZE is to establish as legal tender, or, to purchase public or private debt and thereby free moneys for other uses that money that would have been devoted to debt service.

- N -

NET, in general, is the figure remaining after all relevant deductions have been made from the starting, or gross, amount.

NET CHANGE IN CASH is calculated by adding cash from operating, investing, and financing activities and foreign exchange effects from the Statement of Cash Flows.

NET CONTRIBUTION is the amount remaining after all relevant deductions have been made to the gross amount, e.g., Net Contribution to Margin.

NET INCOME is the difference between a businesses total revenue and its total expenses. This caption and amount is usually found at the bottom of a company's Profit and Loss statement. Same as Net Profit.

NET LEASES, typically, there are three net leases: net lease, double-net lease, and triple-net lease. A net lease is a base rent plus an additional charge for taxes. A double-net lease is a base rent plus an additional charge for taxes and insurance. A triple-net lease is base rent plus an additional charge for taxes, insurance, and common area expenses.

NET OPERATING LOSS (NOL) is experienced by a business when business deductions exceed business income for the fiscal year. For income tax purposes, a net operating loss can be used to offset income in a prior year, or a taxpayer can elect to forego the carry back and carry the net operating loss forward.

NET PRESENT VALUE (NPV) is a method used in evaluating investments, whereby the net present value of all cash outflows (such as the cost of the investment) and cash inflows (returns) is calculated using a given discount rate, usually REQUIRED RATE OF RETURN. An investment is acceptable if the NPV is positive. In capital budgeting, the discount rate used is called the HURDLE RATE and is usually equal to the INCREMENTAL COST OF CAPITAL.

NET PROFIT is the company's total earnings, reflecting revenues adjusted for costs of doing business, depreciation, interest, taxes and other expenses. Same as Net Income.

NET PROFIT MARGIN (After Tax) measures profitability as a percentage of revenues after consideration of all revenue and expense, including interest expenses, non-operating items, and income taxes.

NET PROFIT MARGIN (Pre-Tax) incorporates all of the expenses associated with ordinary business (excluding taxes) thus is a measure of the overall operating efficiency of the firm.

NET PURCHASES are those items purchased less returns, discounts and allowances on those purchases.

NET SALES is gross sales less discounts, allowances, returns, freight out, etc.

NET SALES TO GROSS SALES shows the percent of all transactions that may be considered as "good" net transactions. Differences may arise from returns, bad product, or other sales concessions.

NET WORTH is the difference between Total Liabilities and Total Assets. Minority interest is included here.

NON-CURRENT ASSETS includes PPE (property, plant and equipment) as opposed to current assets which includes cash, cash equivalents (e.g. securities, short-term notes, etc.), inventory and accounts receivable.

NON-DISCRETIONARY means it is mandatory, not up to the individual or company.

NON-DISCRETIONARY ACCRUAL is a mandatory expense/asset that is recorded within the accounting system that has yet to be realized. An example of this would be payroll taxes.

NOPAT (NET OPERATING PROFIT AFTER TAX) is a company's potential cash earnings if its capitalization was unleveraged. NOPAT is commonly used in EVA calculations.

NOTES PAYABLE-SHORT TERM are all short term note obligations, including bank and commercial paper. Does not include trade notes payable.

NPV is an acronym for Net Present Value.

- O -

OFFSET ACCOUNT is an account that is setup for elimination of a long or short position by making an opposite transaction.

OPEN ACCOUNT is a non-guaranteed payment arrangement, e.g. similar to department store credit. Goods are purchased and delivered without payment. Future payment for delivered goods is dependent on the good faith of the purchaser.

OPEN TO BUY is the dollar amount budgeted by a business for inventory purchases for a specific time period.

OPERATING ACTIVITIES are transactions and events that enter into the determination of net income.

OPERATING ASSETS are those long-term, or non-current, assets acquired for use in the business rather than for resale; includes property, plant, and equipment; intangible assets; and natural resources.

OPERATING EXPENDITURES is the amount used during a particular period directly in support of day-to-day operations such as wages, maintenance, office supplies, etc.

OPERATING EXPENSES is all selling and general & administrative expenses. Includes depreciation, but not interest expense.

OPERATING EXPENSE TO SALES reports the operating expenses as a percent of Net Revenues. This then is a measure of the total overhead employed in the firm per Net Sales Revenue Dollar.

OPERATING INCOME is the profit realized from the day-to-day operations of the business. It excludes income realized from other sources e.g., investments in other business'.

OPERATING LEASE is a short-term, cancelable lease.

OPERATING LEVERAGE is the extent to which fixed costs are part of a company's cost structure; the higher the proportion of fixed costs, the faster income increases or decreases with sales volumes.

OPERATING PERFORMANCE RATIO is the overall measure of the efficiency of operations during a period; computed by dividing net income by net sales.

OPERATING PROFIT is Gross Profit minus Operating Expenses.

OPERATING PROFIT TO SALES is a useful ratio when evaluating value of a firm. It discounts the effect of varying tax rates and benefits to give a more accurate indication of the return associated with the firm.

OPPORTUNITY COST is widely used in business planning in evaluating capital investment. A company measures the projected return against the anticipated return it would receive on a highest yielding alternative investment that contains a similar risk profile.

OPTION is the formal reservation of the right to buy or sell property / assets at a certain price and / or within a given time in the future.

ORIGINAL ISSUE DISCOUNT is when a long-term debt instrument is issued at a price that is lower than its stated redemption value; the difference is called Original Issue Discount (OID).

OSHA (OCCUPATIONAL SAFETY AND HEALTH ACT) is a federal law in the United States that requires employers to provide employees with a workplace that is relatively free of hazardous conditions.

OVERHEAD is the costs associated with providing and maintaining a manufacturing or working environment. For example: renting the building, heating and lighting the work area, supervision costs and maintenance of the facilities. Includes indirect labor and indirect material.

-P -

PAID-IN-CAPITAL is capital received in exchange for stock NOT that capital received from earnings or donations.

PARTNERSHIP is an unincorporated business that has more than one owner. It is different from a sole proprietorship in that a sole proprietorship can have only one owner.

PASSIVE ACTIVITY is defined in the US Tax Code as one or more trades, business or rental activity, that the taxpayer does not materially participate in managing or running. All income and losses from passive activities are grouped together on an income tax return and, generally, loss deductions are limited or suspended until the passive activity that generated them is disposed of in its entirety.

PATENT is a legal form of protection that provides a person or legal entity with exclusive rights to exclude others from making, using, or selling a concept or invention for the duration of the patent. There are three types of patents available: design, plant, and utility.

PAYBACK PERIOD, in capital budgeting, is the length of time needed to recoup the cost of CAPITAL INVESTMENT. The payback period is the ratio of the initial investment (cash outlay, regardless of the source of the cash) to the annual cash inflows for the recovery period. The major shortcoming for the payback period method is that it does not take into account cash flows after the payback period and is therefore not a measure of the profitability of an investment project. For this reason, analysts generally prefer the DISCOUNTED CASH FLOW methods of capital budgeting; primarily, the INTERNAL RATE OF RETURN and the NET PRESENT VALUE methods.

PERCENTAGE LEASE is a type of lease where the landlord charges a base rent plus an additional percentage of any profits realized by the business tenant.

PERCENTAGE OF COMPLETION METHOD OF ACCOUNTING is instituted if your revenues exceed $10,000,000 (3-year average) or your contracts will not be completed within a two-year period, you are generally required to use the percentage of completion accounting for contracts. There are many advantages to using to percentage of completion method including:

It is the best measurement of income.

Percentage of completion normally needs to be computed for financial statement purposes eliminating confusing timing differences from tax to financial statements.

There is no increase in alternative minimum taxable income.

Losses can be recognized on contracts before the job is complete.

It is useful in leveling taxable income, permitting use of lower tax brackets each year.

When using the percentage of completion method, it is important to carefully compute the percent complete, for it may have a great impact on your taxable income.
Estimated costs to complete the contract, a component of calculating the percent to complete, determine what your taxable income will be. Also, carefully reviewing the over-head allocation may result in lower tax

PERFORMANCE INDICATORS are those empirical data points that indicate how well, or poorly, an entity is performing against preset goals and objectives. Normally, in business or strategic planning, a company will set targets over a specified period that the business believes are attainable and track performance over time to those targets or objectives.

PERSONAL LOAN is a short-term loan that is extended based on the personal integrity of the borrower.

PETTY CASH, normally, is an account and location where tangible cash is stored for usage in purchasing or the reimbursing of inexpensive out-of-pocket expenditures.

POINTS are additional fee paid to a lender. Points are generally stated as a percent of the total amount borrowed and are in essence prepaid interest. Points paid can be deducted over the life of the loan.

PREDICTOR RATIOS: Most ratios are descriptive in nature; that is, they describe the firm as it is now. As you might expect, Predictor Ratios provide suggestions about likely future conditions for the firm. Venture Line provides two industry standard Predictor Ratios:

1. Altman's "Z-Score" (a valid predictor of bankruptcy), and
2. Sustainable Growth Rate (showing the degree to which a company can grow using retained earnings to fund growth).

PREFERRED STOCK, usually, non-voting capital stock that pays dividends at a specified rate and has preference over common stock in the payment of dividends and the liquidation of assets.

PREPAID EXPENSES are amounts that are paid in advance to a vender or creditor for goods and services. Typically, insurance premiums are paid in advance of the coverage contained in the policy. Prepaid Expenses is a Current Asset for your business. This is because you have paid for something and someone owes you the service or the goods for which you prepaid.

PRICE EARNINGS MULTIPLE: The price-earnings ratio (P/E) is simply the price of a company's share of common stock in the public market divided by its earnings per share. Multiply this multiple by the net income and you will have a value for the business. If the business has no income, there is no valuation. If the common stock in not publicly traded, valuation of the stock is purely subjective. This may not be the best method, but can provide a benchmark valuation.

PRICE ELASTICITY is the degree to which customers respond to price changes (calculation: % change in quantity divided by % change in price). A value greater than 1 = customers exhibit a good sensitivity to price. A value less than 1 = customers are insensitive to price. Price Elasticity is if a small change in price is accompanied by a large change in quantity demanded, the product is said to be elastic (or responsive to price changes). A product is inelastic if a large change in price is accompanied by a small amount of change in demand.

PRICE TO BOOK is a financial ratio that is derived by dividing a stock's capitalization by its book value. Also called Market-to-Book.

PRICE TO REVENUE is a financial ratio derived by dividing current stock price by revenue per share (adjusted for stock splits).

PRIMARY DEALER is a designation given by the Federal Reserve System to commercial banks or broker/dealers who meet specific criteria, including capital requirements and participation in Treasury auctions. A primary dealer is entitled and obligated to purchase and sell government securities with the Federal Reserve directly. They serve as the conduits for Federal Reserve open market activities. There are approximately 30-40 such dealers.

PRIMARY MARKET is the first sale of a newly issued security. Those securities are purchased in the primary market. All subsequent trading of those securities is done in the secondary market.

PRIME BROKERS are providers of back-office administration and stock lending for hedge funds.

PROFITABILITY is company's ability to generate revenues in excess of the costs incurred in producing those revenues.

PROFIT AND LOSS STATEMENT (P&L) is also known as an income statement. It shows your business revenue and expenses for a specific period of time. The difference between the total revenue and the total expense is your business net income. A key element of this statement, and one that distinguishes it from a balance sheet, is that the amounts shown on the statement represent transactions over a period of time while the items represented on the balance sheet show information as of a specific date (or point in time).

PROFIT BEFORE TAXES is operating profit minus all other expenses (net).

PROFIT CENTER is a section of an organization that is responsible for producing profit, e.g., a division of a corporation that is not a stand-alone entity but is required to produce profits within the corporation.

PROFIT MULTIPLE: Profit and sales multiples are the most widely used valuation benchmarks used in valuing a business. The information needed are pretax profits and a market multiplier, which may be 1, 2, 3, or 4 and usually a ceiling of 5. The market multiplier can be found in various financial publications, as well as analyzing the sale of comparable businesses. This method is easy to understand and use. The profit multiple is often used as the valuation ceiling benchmark.

PRO-FORMA is to provide in advance to a prescribed form or to describe items <pro forma financial statement or pro forma invoice>.

PRO-FORMA INVOICE is a price quote. It is written as an invoice, and, in effect, says: 'This is the purchase price and terms we are offering.'

PROGRESSIVE TAX is an income tax system to where the more income that is made the higher the tax percentage that must be paid.

PROVISION is a measure taken beforehand to deal with a need or contingency.

PURCHASE MONEY INTEREST is that interest associated with the purchase money mortgage.

PURCHASE MONEY MORTGAGE (PMM) is seller financing as a part of the purchase price.

PURCHASE ORDER is a written authorization for a vendor to supply goods or services at a specified price over a specified time period. Acceptance of the purchase order constitutes a purchase contract and is legally binding on all parties

- Q -

QUALIFIED DOMESTIC RELATIONS ORDER (QDRO) is when a state court allocates an interest in a qualified retirement plan to a former spouse through a qualified domestic relations order. Payments made to a former spouse as the result of a QDRO will not result in the taxpayer being assessed a penalty for early withdrawal from the plan; the former spouse will be taxed on the benefits when received, or the benefits can be rolled over tax free into an IRS or another qualified retirement plan.

QUALIFIED OPINION is the auditor's opinion accompanying a financial statement that calls attention to limitations in the audit or exceptions the auditor has taken with the audit of the statements.

QUICK RATIO (or Acid Test Ratio) is a more rigorous test than the Current Ratio of short-run solvency, the current ability of a firm to pay its current debts as they come due. This ratio considers cash, marketable securities (cash equivalents) and accounts receivable because they are considered to be the most liquid forms of current assets. A Quick Ratio less than 1.0 implies "dependency" on inventory end other current assets to liquidate short-term debt.

- R -

RABBI TRUST is a nonqualified deferred compensation plan whereby an employer and employee agree to defer payment for the employee's services until a specified future date. The rabbi trust features an irrevocable grantor trust that is set up by the employer to hold the contributions set aside for the employee. While this provides the employee some degree of safety that the money will be available when desired, the terms of the trust must be such that exposes the trust assets to the claims of the employer's creditors.

RATE OF RETURN is the gain or loss for a security in a particular period, consisting of income plus capital gains relative to investment, usually quoted as a percentage. The real rate of return is the annual return realized on that investment, adjusted for changes in the price due to inflation.

RATIO is the relative size, expressed as the number of times one quantity is contained in another (for example, the ratio of assets to liabilities of a company having total assets of $200,000 and liabilities of $150,000 would be $200,000 divided by $150,000 = 1.33).

RATIO ANALYSIS involves conversion of financial numbers for a firm into ratios. Ratios allow comparison of one firm to another. Since ratios look at relationships inside the firm, a firm of one size can be directly compared to a second firm (or a collection of firms) which may be larger or smaller or even in a different business. Financial Ratios are a method of comparison not dependent on the size of either firm. Financial Ratios provide a broader basis for comparison than do raw numbers. In the Venture Line database the comparison is conducted against the industry (SIC Code) in which each particular listing is associated.

REACH, in advertising, is the total number of people within a target market that will be reached through an advertising campaign.

REALIZED INCOME is the return or profit that is actually earned or collected over a given time period.

RECAPITALIZATION: It is dependent upon how you use the term. The term recapitalization in itself is, dependent upon the scenario, simply an adjustment of the relationships between the debt and equity that funds a firms assets. However, it can become quite complex dependent upon under what conditions or reasons the firm is being recapitalized. This is specially true if recapitalization is being pursued to ward off a hostile takeover.

RECONCILE is the process of balancing records. An example is when an individual balances a checking account record with the monthly bank statement. Once the records accurately agree, the checking account has been reconciled.

RECOURSE, in finance, is the right to demand payment from the maker or endorser of a negotiable instrument (as a check).

RED HERRING is a preliminary registration statement describing the issue (the IPO) and prospects of the company that must be filed with the SEC or provincial securities commission. There is no price or issue size stated in the red herring. Red Herring's are sometimes updated several times before it is called the final prospectus. It is known as a red herring because it contains a statement typed in red that the company is not attempting to sell their shares before the registration is approved by the SEC.

REGISTERED INVESTMENT ADVISOR (RIA) is an investment advisor registered with the SEC. No certification is required.

REGRESSIVE TAX is a tax system to where the more income that is realized the lower the tax rate becomes.

REIMBURSEMENT is to pay back to someone, e.g. to pay an employee for travel expenses that was paid by the employee out of that employees own personal funds.

RELATED PARTY, specifically, is any (a) enterprises that directly or indirectly through one or more intermediaries, control or are controlled by, or are under common control with, the company; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the company that gives them significant influence over the company, and close members of any such individual's family; (d) key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the company, including directors and senior management of companies and close members of such individuals' families; and (e) enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (c) or (d) or over which such a person is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the company and enterprises that have a member of key management in common with the company. Close members of an individual's family are those that may be expected to influence, or be influenced by, that person in their dealings with the company. An associate is an unconsolidated enterprise in which the company has a significant influence or which has significant influence over the company. Significant influence over an enterprise is the power to participate in the financial and operating policy decisions of the enterprise but is less than control over those policies. Shareholders beneficially owning a 10% interest in the voting power of the company are presumed to have a significant influence on the company.

REPLACEMENT VALUE is a valuation similar to an adjusted book value analysis. Replacement value is different than liquidation value in that is uses the value of the replacement value of assets, which is usually higher than book value. Liabilities are deducted from the replacement value of the assets to determine the replacement value of the business.
REMITTING BANK is a bank that sends a draft to the overseas bank for collection.
RESERVE ACCOUNTS, generally, are those accounts where retained earnings are set aside to satisfy dividends, improvements, contingencies, retirement of preferred stock, etc.
RESIDUAL CLAIM is a claim to a share of earnings after debt obligations have been satisfied.
RESIDUAL VALUE is:
a) Realizable value of a fixed asset after deducting costs associated with its sale;
b) Scrap value or the value to a junk dealer; or
c) The amount remaining after all depreciation has been deducted from the original cost of a depreciable asset.
RETAINED EARNINGS are profits of the business that have not been paid out to the owners as of the balance sheet date. The earnings have been "retained" for use in the business. Retained Earnings is an account in the equity section of the balance sheet.
RETURN ON ASSETS is a ratio that measures how efficiently profits are being generated from the assets employed in the business when compared with the ratios of firms in a similar business. A low ratio in comparison with industry averages indicates an inefficient use of business assets. The Return on Assets Ratio is calculated as follows:

$$\text{Return on Assets} = \frac{\text{Net Profit before Tax}}{\text{Total Assets}}$$

RETURN ON ASSETS (After Tax) shows the after tax earnings of assets.
RETURN ON CAPITAL is the distribution of cash from depreciation tax savings, the sale of an capital asset or securities, or, any other transaction not related to retained earnings.
RETURN ON EQUITY measures the overall efficiency of the firm in managing its total investments in assets and in generating a return to stockholders. Stockholders Equity as used in Venture Line includes all owner claims on the firm. NOTE: ROE is sometimes based on Common Equity only. This is NOT the method used in Venture Line.
RETURN ON INVESTMENT (ROI) is a profitability measure that evaluates the performance of a business. ROI can be calculated in various ways. The most common method is Net Income as a percentage of Net Book Value (total assets minus intangible assets and liabilities).
REVENUE is the monetary amount of annual sales, including returned merchandise and discounts, i.e., it is the top monetary figure from which costs are subtracted to determine net income.
REVERSING ENTRY is a debit or credit bookkeeping entry made to reverse a prior bookkeeping entry.
REVOLVING COLLATERAL are accounts receivable or inventory which change from day to day.
REVOLVING LINE OF CREDIT in commercial banking is a contractual agreement between a bank and, usually, a company where the bank agrees to provide loans up to a specified maximum over a specified period, usually a year or more. In consumer banking, it is a loan

account requiring monthly payments less than the full amount of the loan, and the balance is carried forward with a finance charge on that balance.

REVOLVING FINANCING is financing secured by collateral.

REVOLVING FUND is money that is renewed as it is used.

REVOLVING LOAN is a loan that is automatically renewed upon maturity.

RISK is the measurable possibility of losing or not gaining value. Risk is different from uncertainty. Uncertainty is not measurable.

RISK ADJUSTED RETURN is when we subtract from the rate of return on an asset a rate of return from another asset that has similar risk. This gives an abnormal rate of return that shows how the asset performed over and above a benchmark asset with the same risk. We can also use the beta against the benchmark to calculate an alpha which is also risk adjusted performance.

ROG, in business, is an acronym meaning "Receipt Of Goods".

ROI (Return on Investment) can be calculated in various ways. The most common method is Net Income as a percentage of Net Book Value (total assets minus intangible assets and liabilities).

ROYALTY is a payment for the right to use intellectual property or natural resources.

- S -

SALES INVOICE is a document that records the sale of goods or services from a vendor to a customer.

SALES / RECEIVABLES (Receivables Turnover) is a ratio that measures the number of times trade Receivables turn over during the year. The higher the SALES/RECEIVABLES Ratio (turnover of Receivables), the shorter the time between sale and cash collection.

SALES MULTIPLE is the most widely used valuation benchmark used in valuing a business. The information needed are annual sales and an industry multiplier, which is usually a range of .25 to 1 or higher. The industry multiplier can be found in various financial publications, as well as analyzing sales of comparable businesses. This method is easy to understand and use. The sales multiple is often used as the valuation benchmark.

SALVAGE VALUE is:

a) Realizable value of a fixed asset after deducting costs associated with its sale;

b) Scrap value or the value to a junk dealer; or

c) The amount remaining after all depreciation has been deducted from the original cost of a depreciable asset.

SAME STORE SALES is used when analyzing the retail industry. It compares sales in stores which have been open for a year or more.

SEC is the Securities Exchange Commission

SECURITIZATION is the process of creating a pass-through, such as the mortgage pass-through security, by which the pooled assets become standard securities backed by those assets. Also, refers to the replacement of non-marketable loans and/or cash flows provided by financial intermediaries with negotiable securities issued in the public capital markets.

SEED CAPITAL / MONEY is an angel investor or venture capitalist first contribution toward the financing or capital requirements of a "start-up" business. It frequently takes the form of a loan, often subordinated, or an investment in convertible bonds or preferred stock.

SENIOR DEBT/NOTE are loans or debt securities that have a claim prior to junior obligations and equity on a corporation's assets in the event of a liquidation.
SG&A refers to the indirect overhead costs contained within the Sales, General and Administrative expense / cost categories.
SHARE CAPITAL is that portion of a corporation's equity obtained from issuing shares in return for cash or other considerations.
SHAREHOLDER'S EQUITY is total assets minus total liabilities. It is the same as EQUITY, NET WORTH and stockholder's equity.
SHARE PREMIUM is the difference between the higher price paid for a share of stock and the stocks face amount when it was issued.
SIC (STANDARD INDUSTRIAL CLASSIFICATION) is a U.S. Government numerical coding system used in the U.S. to group and classify basically all products and services existing within the U.S. economy.
SIGNATURE LOAN is a loan secured by the borrower with nothing more than the signature of that borrower.
SIMPLE INTEREST is interest computed on principal alone, as opposed to compound interest which includes accrued interest in the calculation.
SIMPLE JOURNAL ENTRY is a journal entry that involves only one debit and one credit in the transaction.
SIPS is an acronym for Secure Internet Payment Service (Cybercash).
SKU is an acronym for Stock Keeping Unit. It is usually used to identify an item carried in inventory or stock.
SLR is an acronym with several possible meanings, e.g., Stock Level Report, Stock Level Requirement, System Level Requirement(s).
SMALL-CAP is a stock with a capitalization, meaning a total equity value, of less than $500 million.
SOES (Small Order Execution System) trading is an electronic method of day trading the NASD market. At present, SOES trading is at the center of controversy between the NASD, SEC, individual traders, and the courts. SOES is changing the way trading is done on the NASD, and it may rewrite the rules of the game for trading. Bandits is just a term being used for the individuals using the SOES system for day trading.
SOFT COSTS are those extraneous costs that are not readily foreseen or budgeted for, e.g. legal fees, loan fees and interest, etc.
SOLE PROPRIETOR is an individual that owns a business as opposed to stock in a corporation. A sole proprietor pays no corporate income tax but has unlimited liability for his/her business debts and obligations.
SOLE PROPRIETORSHIP is a form of business organization. The distinguishing characteristics of a sole proprietorship include: only one owner for the business (hence, "sole") and the business is unincorporated.
SOLVENCY is a company's long-term ability to meet all financial obligations.
SPECIFIC RESEARCH is a method used when gathering primary information for a market survey where targeted customers / consumers are asked very specific and in-depth questions geared toward resolving problems found through prior exploratory research.

SPOT COMMODITY is a commodity traded with the expectation that it will actually be delivered to the buyer, as contrasted with to a FUTURES CONTRACT that will usually expire without any physical delivery actually taking place. Spot commodities are traded in the SPOT MARKET.

SPREADSHEET is

(1) A multicolumn sheet of paper used for performing numeric work, especially accounting and business related weekly or monthly summaries.

(2) A computer application program that supports a user in numeric manipulation, especially in column / row format.

STANDARD COST SYSTEM is an accounting system designed to properly allocate costs of direct labor, indirect labor, materials, overhead, and selling/ general/administrative accounts on a unit basis for the purpose of accurately costing products and the subsequent control of those costs in managing the production, marketing, purchasing, and administrative functions of the business.

STANDARD RATE AND DATA SERVICE (SRDS), in advertising, is a company that produces a directory for each different type of media; normally listing: rates, circulation, contacts, markets serviced, etc.

STATED CAPITAL is the declared total amount of money or other resources owned or used to acquire future income or benefits.

STATUTORY ACCOUNT is an involuntary account, which is created by law rather than by business need. An example of a statutory account would be taxes.

STATUTORY LIEN is an involuntary lien, which is created by law rather than by contract. Statutory liens include tax liens, judgment liens, mechanic's liens, etc.

STEAMSHIP CONFERENCE is an agreement between multiple shipping companies to provide common freight rates. Some shipping lines will state that they are "non-conference", i.e., they charge an independent and likely lower rate.

STEP LEASE is type of lease that outlines or stipulates the expected annual increases in the tenant's base rent based on an approximation of what the landlord believes what the landlord's expenses may be.

STRANDED PLANT is a cost that has been incurred, but can not be reversed. Usually referred to as a sunk cost.

STRATEGIC PLANNING is the activity of defining what you want to accomplish in your business and then identifying the path that will allow you to reach your goal in the most efficient and sensible manner.

STRAW MAN is a weak or imaginary opposition (as an argument or adversary) set up only to be easily confuted. Often done to create an environment for brainstorming from a certain starting point.

STRIPPED BOND is a bond that can be subdivided into a series of zero-coupon bonds.

SUBCHAPTER S is a legal corporate entity organized under the United States Federal Tax Code that allows Subchapter S Corporations to distribute all income / loss proportionately to its shareholders, who then claim that income / loss on their personal income taxes; thereby avoiding the payment of corporate taxes.

SUBLET, in real estate, refers to the leasing of space within a leased facility by the original lessee.
SUBORDINATE is to treat as of less value or importance, e.g. a subordinate debt / loan is a debt instrument that, usually, is subservient to, and can only be satisfied after, senior debt is satisfied (see below).
SUBORDINATED DEBT is where there is a pecking order determining the sequence in which a company will pay off its debt instruments, subordinate (or junior) issues will not be repaid until unsubordinated (or senior) debt has been repaid in full.
SUBVENTION is the provision of assistance or financial support such as an endowment or a subsidy from a government or foundation.
SUM-OF-THE-YEARS DIGITS (SYD) is the accelerated depreciation method in which a constant balance (cost minus salvage value) is multiplied by a declining depreciation rate.
SUNK COST is the cost expended that cannot be retrieved on a product or service.
SUSTAINABLE GROWTH RATE: Growth can be a major dilemma because with growth comes spontaneously generated needs for increased working capital. Venture Line calculates a Sustainable Growth Rate from the data entered into the Income Statement and Balance Sheet. The Sustainable Growth Rate is the rate at which the firm may grow the Stockholder's Equity Account (Net Worth) using only increases in Retained Earnings (Net Profit's contribution to retained earnings) to fund the growth. Growth beyond this amount will force the firm to obtain additional financing from external sources to finance growth.
SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis identifies factors that may affect desired future outcomes of the organization. The SWOT model is based on identifying the organization's internal strengths and weaknesses, and threats and opportunities of the external environment, and consequentially identifying the company's distinctive competencies and key success factors. These, along with considerations of societal and company values, lead to creation, evaluation, and choice of strategy. SWOT's objective is to recommend strategies that ensure the best alignment between the external environment and internal situation.

- T -

TANGIBLE normally refers to assets that can be held or seen and that are capable of being appraised at an actual or approximate value (e.g. inventory, land & buildings, etc.).
TANGIBLE BOOK VALUE is different than book value in that it deducts from asset value intangible assets, which are assets that are not hard (e.g., goodwill, patents, capitalized start-up expenses and deferred financing costs).
TARE WEIGHT is the weight of packing container and packaging material without the weight of the goods contained therein.
TARIFF, usually, a country's tax on imports. May sometimes refer to the rate of tax; and, is used interchangeably with the term "duty".
TARIFF, AD VAL OREM is a tariff determined as a percentage of the value of the goods.
TAX LOSS CARRY FORWARD/BACKWARD is a tax benefit that lets a company or individual to deduct losses in order to reduce a tax liability.
TERM DEBT, as in Term Bonds, is debt that mature in one lump sum at a specified future date. Term debt is usually carried as one type of long-term debt.

TERM LOAN is a bank loan, typically with a floating interest rate, for a specified amount that matures in between one and ten years and requires a specified repayment schedule.
TESTIMONY is evidence given by a competent witness under oath.
TIME DEPOSIT is, usually, a deposit at a savings institution that is interest bearing with a specific maturity date.
TIMES INTEREST EARNED (TIE) measures the extent to which operating income can decline before the firm is unable to meet its annual interest costs. A value of 1.0 or less suggests that the firm is not earning sufficient amounts to cover interest charges. Note: EBIT is used as the numerator because interest is a deductible cost, the ability to pay current interest is not affected by taxes.
TOP DOWN is a concept of analyzing a subject, such as costs or revenue, starting from the highest level working towards the bottom.
TOTAL ASSETS is the total of all assets; both current and fixed.
TOTAL ASSET TURNOVER measures management's efficiency in managing all of a firms assets - specifically the generation of revenues from the firm's total investments in assets. This ratio is extremely important in high asset firms such as manufacturers. Generally the higher this ratio, the smaller the investment required to generate sales, thus the more profitable the firm.
TOTAL CURRENT ASSETS is total of cash & equivalents, trade receivables, inventory and all other current assets.
TOTAL CURRENT LIABILITIES is the total of notes payable-short term, current maturities-LTD, trade payables, income taxes payable, and all other current liabilities.
TOTAL LIABILITIES & NET WORTH is the sum of all liability items and Net Worth.
TRADE NAME is a distinctive name used to identify a product or company and build recognition. Many corporations; e.g. Coca Cola, Ford, IBM, etc.; aggressively protect their trade names within the market.
TRADE PAYABLES are open accounts due to the trade.
TRADE RECEIVABLES (NET) are all accounts from trade, net of allowance for doubtful accounts.
TRADING PROFIT is that profit earned from the short-term trading of securities that were held for less than one year. Such profit is usually subject to tax at regular income tax rates.
TRANCHES are related securities that are offered at the same time but have different risk, reward, and/or maturity.
TRANSACTION is the sale, purchase, or trade of real or personal property or securities.
TRANSFER PRICE is the price charged by an individual entity in a multi-entity corporation on transactions among the entities involved.
TRIAL BALANCE is a listing of the accounts in your general ledger and their balances as of a specified date. A trial balance is usually prepared at the end of an accounting period and is used to see if additional adjustments are required to any of the balances. Since the basic accounting system relies on double-entry bookkeeping, a trial balance will have the same total debit amount as it has total credit amounts.
TRUE VALUE is the amount that a buyer is finally willing to pay.
TRUST DEED is an instrument of conveyance of title to property wherein the transferee will be holding the title to the property on behalf of another person.

TRUST FUND is a fiduciary relationship calling for a trustee to hold the title to assets, usually monetary, for the benefit of the beneficiary.

TTM, among others, usually means Time to Market

- U -

UNDISTRIBUTED EARNINGS see Retained Earnings.

UNEARNED REVENUE / INCOME represents money that you have received in advance of providing the goods or services to your customer. Unearned revenue is a liability of your business until you provide the goods or services you agreed to provide to the customer.

UNIT-CONTROL SYSTEM is an accounting system used in inventory management that tracks inventory using bin tickets and physical inventory checks.

UNREALIZED INCOME (paper profit) is profit which has been made but not yet realized or collected through a transaction, such as a stock which has risen in value but is still being held. also called unrealized gain or unrealized profit or paper gain or book profit.

- V -

VAD, in business, can mean: Value of Annual Demand, Value-Added Data, Value-Added Dealer, or, Value-Added Distributor.

VAT (VALUE ADDED TAX) is a consumption tax where taxes are levied at each step of a manufacturing process where value is added to that product at that point in the manufacturing cycle; as well as at the point where the consumer purchases the end product.

VALUE is a term that defines the worth of a thing. The term is usually preceded by the word, or words such as 'Fair" or "Fair Market", and it is usually defined in the document where it is found. Not all value for an item is the same, i.e. value is usually perceived.

VAR is an acronym for Value-Added Reseller (usually of technology products); or, in finance, Value at Risk.

VARIABLE COSTS are those costs associated with production that changes directly with the amount of production, e.g., the direct material or labor required to complete the build or manufacturing of a product.

VARIABLE EXPENSES are those business costs that usually fluctuate dependent upon manufacturing or sales volume.

VENTURE CAPITAL is capital committed to an unproven venture. The initial, start-up money is referred to as "seed money" and entails the greatest risk. If the project gets off the ground it may require additional financing at additional "rounds" or the "mezzanine level" before the company is finally brought to the market and the venture capitalist can enjoy handsome rewards. Experienced investors in venture capital situations typically plan on turning away a minimum of 9 out of every 10 proposals which are brought to them, and then they expect as many failures as successes from their selected investments.

VOUCHER is: a documentary record of a business transaction; or, a written affidavit or authorization.

- W -

WARRANT is a security entitling the holder to buy a proportionate amount of stock at some specified future date at a specified price, usually one higher than current market. This "warrant" is then traded as a security, the price of which reflects the value of the underlying stock.

Warrants are issued by corporations and often used as a "sweetener" bundled with another class of security to enhance the marketability of the latter. Warrants are like call options, but with much longer time spans — sometimes years. In addition, warrants are offered by corporations whereas exchange traded call options are not issued by firms.

WEIGHTED COST OF CAPITAL is the expected return on a portfolio of all a firm's securities. Used as a hurdle rate for capital investment.

WHOLLY OWNED SUBSIDIARY is an entity whose parent owns virtually 100% of its common stock.

WINDOW DRESSING is the act or an instance of making something appear deceptively attractive or favorable. Usually using something, e.g. inflated sales projections, to create a deceptively favorable or attractive impression.

WIP is an acronym for Work in Process/Progress. Usually refers to inventory that has value added from labor or additional processing. When considered for inventory value, the value of the raw material plus the value added component is accounted for in determining the value of that inventory at that point in the process.

WITHHOLDING TAX usually refers to those taxes that are withheld from an employee's compensation to account for that individuals tax liability on his/her compensation.

WITNESS is an individual who testifies at a trial on what he has seen, heard, or otherwise observed.

WORKER'S COMPENSATION is, usually, a state or privately managed insurance fund in the United States that reimburses employees for injuries suffered on the job.

WORKING CAPITAL TURNOVER shows how efficiently Working Capital (WC) is employed. It measures the amount of Net Revenue generated per dollar of Working Capital.

WORKING CAPITAL (WC) (the difference between current assets and current liabilities) measures the margin of protection for current creditors. It reflects the ability to finance current operations.

WORLD TRADE ORGANIZATION (WTO) is the international trade body formed by the agreement of member nations. The WTO is an evolution of the GATT process designed to resolve trade disputes and work for the lowering of tariff and non-tariff trade barriers.

- X -

X-INEFFICIENCY is the failure to minimize costs or maximize returns. (Sometimes referred to as X-efficiency, but carrying the same meaning.)

- Y -

YANKEE BOND is a dollar bond issued by a non-U.S. borrower in the United States.

YEN is the currency of Japan. Its subdivisions are 100 sen and 1000 rin.

YIELD is the annual return on an investment, expressed as a percentage. The yield to redemption or maturity (the same thing) combines the running yield with the "pull to redemption"; thus a bond which has a 10% coupon and exactly one year of remaining life will sell at $98.2% when interest rates are at 12.0%, that 12.0% being composed of 10.2% running yield and 1.8% pull to redemption ($100.0 - 98.2%).

- Z -

ZERO BASED BUDGET is where the expenses or costs of the prior year are not taken into consideration when establishing expense or budgetary levels looking forward. Each expense category starts from zero. All expenses or cost levels within the budget must be justified or re-justified as being necessary; thus “zero-base”.

ZERO COUPON BONDS are bonds priced at a large discount from face value. The bonds mature at full face value so the difference between the original issue price and the face value represents interest income. The issuer of the zero coupon bond saves on cash flow since the interest isn’t paid out until the end of the bond holding period.

ZERO COUPON CONVERTIBLE DEBENTURE/SECURITY is a zero coupon bond that is convertible into the common stock of the issuing company after the common stock reaches a certain price.

“Z-SCORE” see ALTMAN’S “Z-SCORE”

- # -

4-4-5 CALENDAR, in budgeting and accounting, is the breakdown of each month into weeks by counting the number of times Friday occurs within each month, e.g., Jan = 4 weeks, Feb = 4 weeks, Mar = 5 weeks, Apr = 4 weeks, May = 4 weeks, Jun = 5 weeks… etc. to total 52 weeks in a 12 month period. Every third month, Friday will occur 5 times. All other months, Friday will occur 4 times. In the months where Friday occurs 5 times, it is considered a 5 week month. Whereas, the 4 Friday months will be considered as 4 week months

10-K is the audited annual report that most reporting companies file with the Securities Exchange Commission (SEC). It provides a comprehensive overview of the registrant’s business. The report must be filed within 90 days after the end of the company’s fiscal year.

10-Q is a report filed quarterly to the Securities Exchange Commission (SEC) by most reporting companies. It includes unaudited financial statements and provides a continuing view of the company’s financial position during the year. The report must be filed for each of the first three fiscal quarters of the company’s fiscal year and is due within 45 days of the close of the quarter.

401 (K) PLAN is a retirement plan in the United States that allows qualified employees to contribute money from their paychecks into a tax-sheltered account.