"Accounting Dictionary"

PACKING CREDIT is any loan or advance granted or any other credit provided by a bank to an exporter for financing the purchase, processing, manufacturing or packing of goods prior to shipment, on the basis of letter of credit opened in his favor or in favor of some other person, by an overseas buyer or a confirmed and irrevocable order for the export of goods from the producing country or any other evidence of an order for export from that country having been placed on the exporter or some other person, unless lodgment of export orders or letter of credit with the bank has been waived.

PACKING LIST is a statement of the contents of a container, usually put into the container so that the quantity of merchandise may be counted by the person who opens the container. Also known as a packing slip.

PACKING SLIP see PACKING LIST.

PAID-IN-CAPITAL is capital received from investors for stock, equal to capital stock plus paid-in capital, NOT that capital received from earnings or donations. Also called contributed capital.

PAID IN SURPLUS see PAID IN CAPITAL.

PAID-UP CAPITAL is the total amount paid by shareholders for their shares of capital stock.

P&A, dependent upon usage, can be: Parts & Accessories, Pay & Allowances, Personnel & Administration, or Price & Availability.

P&L see PROFIT AND LOSS STATEMENT.

PAPER is: a. amount received, by a seller of real estate, in the form of a mortgage or note rather than cash; b. a short-term debt security; c. customer buy and sell orders coming to a trading pit; d. money market instruments, commercial paper.

PAPER GAIN (LOSS) is an unrealized capital gain (loss) in an investment or portfolio.

PARENT COMPANY is a company of which others are subsidiaries.

PARENT ENTITY see PARENT COMPANY.

PARETO PRINCIPLE/LAW see 80-20 RULE.

PARI PASSU is to do or apply something at an equal pace or rate. In finance, it is used in reference to two class of securities or obligations that have equal entitlement to payment.

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.

PAR VALUE is a. the maturity value or face value, i.e., the amount that an issuer agrees to pay at the maturity date; b. the official exchange rate between two countries' currencies; or, c. the value of a security that is set by the company issuing it; unrelated to market value.

PAS could mean: Personal Accounting System, Personnel Accounting System, or Personnel Accounting Symbol.

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.

PASS-THROUGH GRANTS as defined under GASB Statement 24 are grants "received by a recipient government to transfer to or spend on behalf of a secondary recipient" and should be recognized as revenues and expenditures/expenses in a governmental, proprietary or trust fund. The only exception to this requirement is if the recipient government serves only as a

cash conduit (i.e., has no administrative or direct financial involvement in the program) in which case the grant should be reported in a GAAP agency fund.

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.

PAYABLE is an amount awaiting payment to be made, e.g. interest payable or taxes payable.

PAYABLES TURNOVER is calculated: Payables Turnover = Purchases / Payables.

PAYABLE TO SHAREHOLDERS normally refers to distribution of dividends to shareholders and / or repayment of notes held by shareholders.

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.

PAY CYCLE is a set of rules that defines the criteria by which scheduled payments are selected for payment creation, e.g., payroll may be on a weekly, bi-weekly, or monthly pay cycle.

PAYMENT is the satisfaction of a debt or claim; primarily money paid to fulfill an obligation.

PAYMENT DUE DATE is the date on which a payment is due and payable.

PAYMENT ON ACCOUNT see ON ACCOUNT.

PAYOUT RATIO is dividends paid divided by company earnings over some period of time, expressed as a percentage.

PAYROLL, dependent upon usage, can mean a. the total amount of money paid in wages; b. a list of employees and their salaries; or, c. the department that determines the amounts of wage or salary due to each employee.

PAYROLL BURDEN, in the U.S., includes the cost of your payroll administration, FICA, FUTA, SUTA, workers' compensation, etc., based on each $100.00 of payroll. For example: $100.00 of payroll earned + 37.56 payroll burden = $137.56 total payroll.

PAYROLL VARIANCE is the difference between actual salaries and "unloaded" labor expenditures. The largest contributing factor to payroll variance is usually employees not submitting project oriented timesheets, or supervisors failing to approve those submitted timesheets. The effect being wages being paid without direct assignment of labor charges to those areas or projects to which the labor hours were expended. Thereby causing a variance between recorded labor costs and actual payroll, e.g., project costs are not recorded, reimbursable costs are not billed, and program and project managers are unable to accurately monitor their budgets or do projections.

PBC LIST (PROVIDED BY CLIENT LIST) is a request by external auditors of items that will be required from the client by the auditor prior to the commencement of fieldwork. Such PBC lists are preliminary and will likely be expanded once the audit commences.

PBT see PROFIT BEFORE TAXES.

PC is an acronym for Professional Corporation (business legal entity).

PDI can mean Personal Disposable Income or Past Due Interest.

PEACHTREE is commercial accounting software developed and owned by Sage Software.

PEAK is the period of maximal use or demand or activity; for example, at peak commute hours, street traffic can be unbelievable. See OFF-PEAK.

PEGBOARD SYSTEM see ONE-WRITE SYSTEM.

PEG RATIO compares earnings growth and the Price Earnings Ratio. The PEG Ratio (formula) is the current Price Earnings Ratio divided by the expected long-term growth rate (per the earnings per share).

PENDING usually refers to either: 1. Not yet decided; or, 2. Being in continuance.

PENSION is a regular payment to a person that is intended to allow them to subsist without working, e.g. a retirement fund for employees paid for or contributed to by an employer as part of a package of compensation for the employees' work.

PENSION FUND is a fund reserved to pay workers' pensions when they retire from service. Also known as SUPERANNUATION FUND.

PENSION MAXIMIZATION is a controversial strategy, often espoused by life insurance agents, of using insurance to augment a company benefit plan. Under this arrangement, a retiree takes pension payments for his or her own life only and buys life insurance to provide for a surviving spouse. Also known as pension max.

PEP see PERSONAL EQUITY PLAN.

P/E RATIO (PRICE/EARNINGS RATIO) is a stock analysis statistic in which the current price of a stock (today's last sale price) is divided by the reported actual (or sometimes projected, which would be forecast) earnings per share of the issuing firm; it is also called the "multiple".

PER CAPITA INCOME is the mean income computed for every man, woman, and child in a particular group. It is derived by dividing the total income of a particular group by the total population in that group.

PERCENTAGE DESIGN, in construction, is the percentage expended for design and construction management services in proportion to total construction.

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.

PER DIEM is a. one every day (e.g., save 10 man-hours per diem); or, b. payment of daily expenses and/or fees of an employee or an agent.

PERFORMANCE BUDGET is a budget format that relates the input of resources and the output of services for each organizational unit individually. Sometimes used synonymously with program budget.

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.

PERFORMING ASSET is an asset that provides a dependable annual financial return; for example, production machinery or, in transportation, an airliner.

PERIOD COST is an expense that is not inventoriable; it is charged against sales revenues in the period in which the revenue is earned (e.g., SG&A is a period cost). Also called period expense.

PERIODICITY CONCEPT is the concept that each accounting period has an economic activity associated with it, and that the activity can be measured, accounted for, and reported upon.

PERIODIC VALUATION allows for the determination on future dates the value of assets, portfolios, etc. with the idea of setting a new standard cost or value to those assets. Such revaluations, up or down, are then posted as the new standard cost or value. See REVALUATION.

PERMANENCE is the quality or state of being permanent; primarily judged by durability and useful life. See ORDER OF PERMANENCE.

PERMANENT ACCOUNTS see REAL ACCOUNTS.

PERPETUAL INVENTORY is an inventory accounting system whereby book inventory is kept in continuous agreement with stock on hand. A daily record

is maintained of the dollar amount and physical quantity. There are periodic physical inventories taken to reconcile at short intervals.

PERPETUAL SUCCESSION is one of the legal distinctions between a business and a company. A company has perpetual succession meaning that a change in the membership does not affect the existence of the company whereas a business does not enjoy this perpetual succession. For example, in the case of a partnership, which is one form of business registration, a change in the membership affects the partnership.

PERPETUAL VALUATION see MARKET VALUE.

PERPETUITY, in finance, is an annuity payable forever.

PERSISTENT EARNINGS is the level of earnings, from accounting to accounting period, that are continually recurring.

PERSONAL ACCOUNTS represents money due to or due from a person or group of persons. For example, Accounts Payable - Suppliers is a personal account since this amount is payable to a supplier/suppliers.

PERSONAL EQUITY is that portion of equity ownership that is held to ones own benefit or invested as an integral part of the assets of a legal entity.

PERSONAL EQUITY PLAN (PEP) was an investment plan in the U.K. that used to allow people over the age of 18 to invest in shares of U.K. companies. The plan encouraged investment by individuals. Discontinued in 1999, it was replaced by Individual Savings Accounts (ISA). It was done through an approved plan, qualifying unit trust, or investment trust. Investors received both income and capital gains free of tax.

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

PERSONAL PROPERTY means property of any kind except real property. It may be tangible (having physical existence) or intangible (having no physical existence, such as patents, inventions, and copyrights).

PERVASIVENESS OF ESTIMATES means that the estimates have to be complete, of high quality and in depth, i.e., they have to adequately cover the whole accounting entity.

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.

PHANTOM PROFIT is hypothetical profit, i.e., no cash flow is generated. Appreciation on any asset, e.g. stock, is considered phantom profit unless or until the asset is sold, thereby generating cash flow.

PHYSICAL INVENTORY is the counting of all merchandise or equipment on hand.

PHYSICAL STOCK-TAKE see PHYSICAL INVENTORY.

PICPA is Pennsylvania Institute of Certified Public Accountants or Philippine Institute of Certified Public Accountants.

PIERCING THE CORPORATE VEIL is a legal concept through which a corporation's shareholders, who generally are shielded from liability for the corporation's activities, can be held responsible for certain actions.

PIGGYBACK, dependent upon usage, can mean: 1. On the back or shoulder or astraddle on the hip; 2. Two lenders participating in the same loan (piggyback loan); 3. Unauthorized access to a data processing system via an authorized user's legitimate connection (piggyback entry); 4. Haul by railroad car; 5. SEC registration of existing holdings of shares in a corporation combined with an offering of new public shares (piggyback registration); 6. Rights that entitle an investor to register and sell his or her stock whenever the company conducts a public offering (piggyback rights).

PINK PEARL is a type of a pencil-lead eraser that auditing companies use.

PIPE (Private Investment in Public Equity) refers to any private placement of securities of an already-public company that is made to selected accredited investors (usually to selected institutional accredited investors) wherein investors enter into a purchase agreement committing them to purchase securities and, usually, requiring the issuer to file a resale registration statement covering the resale from time to time of the securities the investors purchased in the private placement. PIPE transactions may involve the sale of common stock, convertible preferred stock, convertible debentures, warrants, or other equity or equity-like securities of an already-public company. There are a number of common PIPE transactions, including:

- the sale of common stock at a fixed price;
- the sale of common stock at a fixed price, together with fixed price warrants;
- the sale of common stock at a fixed price, together with resettable or variable priced warrants;
- the sale of common stock at a variable price;
- the sale of convertible preferred stock or convertible debt; and
- a venture-style private placement for an already-public company.

PISCAN DOCUMENT, a precursor of double entry bookkeeping, dates from the early 12th century. Records indicate that primitive bookkeeping with sequential transactions using Roman numerals was presented in paragraph form. Some of the record fragments are from an unknown Florentine banking firm dated from 1211. It was not yet double entry bookkeeping, but advancing in that direction. Other fragments include the Castra Gualfred and the Borghesia Company from 1259-67; Gentile de' Sassetti and Sons, 1274-1310; and Bene Bencivenni, 1277-96. The most complete records are from Rinieri Fini & Brothers, 1296-1305, and Giovanni Farolfi & Co., 1299-1300.

PITI is an acronym for Principal, Interest, Taxes and Insurance when dealing with property mortgages.

PLACEMENT is bank depositing Eurodollars with (selling Eurodollars to) another bank is said to be making a placement.

PLANT ASSET is a non-current physical asset applicable to manufacturing activities.

PLEDGE is a. the transfer or assignment of assets as collateral to secure payment of a debt obligation as when securities are pledged to a lender for a loan secured by the owner of the securities. When securities a pledged, the lender frequently requires the physical transfer of the collateral to preclude possibility of using the same asset for additional pledging; b. the deposit or placing of personal property as security for a debt or other obligation with a person called a pledgee. The pledgee has the implied power to sell the property if the debt is not paid. If the debt is paid, the right to possession returns to the pledgor; or, c. a written or oral agreement to contribute cash or other assets.

PLEDGE BOND see PLEDGED REVENUES.

PLEDGED ACCOUNTS RECEIVABLE is short-term borrowing from financial institutions where the loan is secured by accounts receivable. The lender may physically take the accounts receivable but typically has recourse to the borrower; also called discounting of accounts receivable.

PLEDGED ASSET is an asset that is transferred to a lender as security for debt. The lender of the debt takes possession of the pledged asset, but does not have ownership unless default occurs.

PLEDGED REVENUES is funds generated from revenues and obligated to debt service or to meet other obligations specified by the bond contract.

PLS see Profit and Loss Sharing.

PLUG is a variable that handles financial slack in the financial plan.

PLUG NUMBER see COST OF GOODS SOLD.

PLUM is an investment with a healthy rate of return.

PNL is Profit and Loss (statement/analysis; business/accounting). See also PROFIT AND LOSS STATEMENT.

POINT OF is a positional determinant or modifier in that it is either the starting or ending position, e.g. point of sales, point of delivery, point of collection, or point of completed production.

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.

POISON PILL is where the targeted company defends itself by making its stock less attractive to an acquirer.

POLITICAL COSTS HYPOTHESIS predicts that firms with low agency and political costs and effective shareholders' monitoring will distribute cash dividend and those with moderate agency and political costs may use stock dividends in lieu of cash dividends to separate themselves from firms having high agency and political costs. This indicates that cash dividend firms will face better long-term stock market valuation of their shares than stock dividend firms.

POOL is: 1. a group of people organized for a specific purpose or any communal combination of funds; 2. in capital budgeting, the concept that investment projects are financed out of a pool of bonds, preferred stock, and common stock, and a weighted-average cost; 3. in insurance, a group of insurers who share premiums; and 4. in investments, the combination of funds for the benefit of a common project, or a group of investors who use their combined influence to manipulate prices.

POOLING-OF-INTERESTS, in the US, is the method of accounting used in a business combination in which the acquiring company has issued voting

common stock in exchange for voting common stock of the acquired company. The features of the method are that the acquired company's net assets are brought forward at book value, retained earnings and paid-in capital are brought forward, the net income is recognized for the full financial year regardless of the date of acquisition, and the expenses of pooling are immediately charged against earnings. In order to use the method there are a number of criteria to be met concerning the prior independence of the companies and the nature and timing of the acquisition. See POOLING OF INTEREST METHOD.

POOLING OF INTEREST METHOD is an accounting method for reporting acquisitions accomplished through the use of equity. The combined assets of the merged entity are consolidated using book value, as opposed to the PURCHASE METHOD, which uses market value. The merging entities` financial results are combined as though the two entities have always been a single entity. See POOLING-OF-INTERESTS.

POP see PROOF OF POSTING and the below.

POP is an acronym for, among others, Point Of Presence or Post Office Protocol (Internet e-mail protocol).

PORTFOLIO is a term for describing all the investments that an entity owns. A diversified portfolio contains a variety of investments.

POSITIVE ACCOUNTING THEORY is where theorists tend to explain why some accounting practices are more popular than others (e.g., because they increase management compensation). They tend to support their conclusions with inductive theory and empirical evidence as opposed to deductive methods. Generally avoid advocacy of one accounting rule as being better or worse than its alternatives. Positivists are inspired by anecdotal evidence, but anecdotal evidence is never permitted without more rigorous and controlled scientific investigation.

POST it the transfer of accounting entries from a journal of original entry into a ledger book, in chronological order according to when they were generated.

POST DATE is placing on a document or a check a date that follows the date of the initiation or execution of the document. For example, a post dated check cannot be cashed until the date written on the check.

POSTING, in bookkeeping, is to list on the company's records, such as to list the detail of sales and purchases on the accounts receivable or payable records.

POSTULATE, in logic, is a proposition that is accepted as true in order to provide a basis for logical reasoning.

PPE can mean either Property, Plant, and Equipment, or Pay Period Ending.

PPI see PRODUCER PRICE INDEX.

PPV is Purchase Price Variance.

PR is an acronym for, among others, 'public relations', 'payroll' and 'purchase request'.

PRACTICAL CAPACITY is where the cost of production is based on the 'practical capacity' of production facilities. Therefore, the proportion of overheads allocated to a unit of production is not to be increased as consequence of idle capacity of the plant.

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. VentureLine provides two industry standard Predictor Ratios:

1. Altman Z-Score - a valid predictor or bankruptcy, and,

2. Sustainable Growth Rate - shows the degree to which a concern can grow using their retained earnings to fund growth.

PREEMPTIVE RIGHT is the right of a current stockholder to maintain the percentage ownership interest in the company by buying new shares on a pro rata basis before they are issued to the public.

PREFERRED BIDDER is the bidder who is selected by the vendor, usually to some predetermined criteria, as being the party to whom it intends to sell the business, or award a contract, subject to the completion of negotiations and legal arrangements.

PREFERENCE SHARE see PREFERRED STOCK.

PREFERENCE SHARE CAPITAL is capital raised by an entity through the sale of preferred shares.

PREFERRED CREDITOR is a creditor whose account takes legal preference for payment over the claims of others.

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.

PREMIUM ON CAPITAL STOCK is excess received over the par value of stock issued. The premium account is shown under the paid-in capital section of stockholder's equity because it resulted from the issuance of stock. It is not an income statement account since the company earns profit by selling goods and services to outsiders, not by issuing shares of stock to owners.

PRE-OPERATING COSTS are costs that are deferred until the related assets are ready for revenue service at which time the costs are charged to operations.

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.

PREPAYMENT is the payment of all or part of a debt prior to its due date.

PRESCRIBED SECURITY generally means any bond, debenture, stock, stock certificate, treasury bill or other like security, or any coupon, warrant or other document for the payment of money in respect of such a security, issued by a government authority.

PRESENT VALUE is the discounted value of a payment or stream of payments to be received in the future, taking into consideration a specific interest or discount rate. Present Value represents a series of future cash flows expressed in today's dollars. A given amount of money is almost always more valuable sooner than later, so present values are generally smaller than corresponding future values.

PRE-TAX INCOME/PROFIT see PROFIT BEFORE TAXES.

PRICE is the property of having material worth. Price is usually indicated by the amount of money something would bring if or when sold.

PRICE CEILING is a government-imposed limit on how high a price can be charged on a product.

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 EARNING RATIO see PRICE EARNINGS MULTIPLE.

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 FIXING is an illegal practice where competing companies agree, informally or formally, to jointly restrict or control prices within a specified range.

PRICE MIX is the value of the product determined by the producers. Price mix includes the decisions as to: Price level to be adopted; discount to be offered; and, terms of credit to be allowed to customers.

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 CASH FLOW is a measure of the market's expectations of a firm's future financial health. It is calculated by dividing the price per share by cash flow per share.

PRICE TO EARNINGS RATIO (P/E) is a performance benchmark that can be used as a comparison against other companies or within the stock's own historical performance. For instance, if a stock has historically run at a P/E of 35 and the current P/E is 12, you may want to explore the reasons for the drastic change. If you believe that the ratio is too low, you may want to buy the stock. You will generally find a P/E ratio based on either the prior reporting year's earnings, or the earnings of the prior four quarters added together (LTM or Latest Twelve Months)

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

PRICE TO SALES see PRICE TO REVENUE.

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.

PRIME COST is equal to the sum of DIRECT MATERIAL plus DIRECT LABOR.

PRIME RATE is the interest rate that banks charge to their preferred customers. Changes in the prime rate influence changes in other rates; mortgage interest rates for example.

PRINCIPAL is: a. a person who has controlling authority (e.g. the CEO or owner of a company) or is in a leading position (part owners of a legal entity); or, b. a matter or thing of primary importance, e.g. is the amount of a loan, excluding interest, or the amount you invest, excluding income.

PRINCIPLES-BASED ACCOUNTING provides for few exact rules and little implementation guidance. Instead, general principles are put forward and companies must ensure that their financial statements fairly and accurately represent these principles. Proponents argue that this type of system does not allow for less than ethical financial engineering, where complex transactions are undertaken in order to get around following specific rules-based accounting standards. Critics believe a principles-based system allows too much leeway for companies, because they generally do not have to

follow specific rules, only wide-arching principles. See also RULES-BASED ACCOUNTING.

PRIOR PERIOD refers to accounting periods that have occurred in the past. See also ACCOUNTING PERIOD.

PRIVATE CORPORATION is a corporation that ownership is held by the private sector, i.e. individuals or companies.

PRIVATE EQUITY is equity securities of unlisted (non-publicly traded) companies. Private equities are generally illiquid and thought of as a long-term investment. Private equity investments are not subject to the same high level of government regulation as stock offerings to the general public. Private equity is also far less liquid than publicly traded stock.

PRIVATE LEDGER see LEDGER.

PRIVATE PLACEMENT is investments in companies that are privately owned; i.e, they are companies that are not traded on a public stock exchange (e.g., NYSE, NASDAQ, and AMEX).

PRIVATE PLACEMENT (DEBT) is the sale of a bond or other security directly to a limited number of investors; used in the context of general equities. For example, sale of stocks, bonds, or other investments directly to an institutional investor like an insurance company, avoiding the need for the registration with the regulator if the securities are purchased for investment as opposed to resale.

PROCEEDS, generally in business, is the total amount brought in, e.g. the proceeds of a sale. In insurance, it is the net amount received (as for a check or from an insurance settlement) after deduction of any discount or charges.

PROCESS ACCOUNTING see PROCESS COSTING.

PROCESS COSTING is a method of cost accounting applied to production carried out by a series of chemical or operational stages or processes. Its characteristics are that costs are accumulated for the whole production process and that average unit costs of production are computed at each stage.

PROCUREMENT, from a business perspective, is the purchasing of services or materials.

PRODUCER PRICE INDEX (PPI) measures the average change over time in the selling prices received by domestic producers for their output. The prices included in the PPI are from the first commercial transaction for many products and some services.

PRODUCT is: a. the end result of the manufacturing process, b. commodities offered for sale, or c. an artifact that has been created by someone or some process.

PRODUCT COST is cost of inventory on hand, also called Inventoriable Cost. They are assets until the products are sold. Once they are sold, they become expense, i.e. Cost of Good Sold (COGS). All manufacturing costs are product costs, e.g., direct material, direct labor, and factory overhead.

PRODUCT INVOICE is an invoice associated with a tangible or physical item as opposed to a service or professional invoice. See PROFESSIONAL INVOICE and SERVICE INVOICE.

PRODUCTION BUDGET is used to propose how much you will manufacture (or buy in from suppliers) so that you can compensate for the demand (identified on your sales budget). If your maximum capacity for producing stock was 100 units for the month (due to available resources), it may not be necessary to produce this maximum (due to a lower demand) each month because it adds to expense and ties up finance. If you expect a high demand during a certain month(s), it may be that your manufacturing capacity

cannot compensate. In which case, you may budget to manufacture excess in the months where you do not manufacture the maximum so that you can build up your supplies for the expected months with high demand. Alternatively, it may be a call to buy/hire more machinery/staff in that particular month to allow an increased capacity for production. See OPERATING BUDGET.

PRODUCTIVE ACTIVITY usually is defined as including activities that have economic value in the marketplace. A more contemporary definition of productive activity includes any activity that produces a valued good or service, even if it is not actually paid for.

PRODUCTIVITY is a measured relationship of the quantity and quality of units produced and the labor required per unit of time.

PRODUCTIVITY RATIO is the ratio of outputs to inputs. The closer the ratio is to 1.0, the higher the productivity; the closer the ratio is to 0.0, the lower the productivity. Productivity is important because it relates to an organization's ability to compete, and to the overall wealth and standard of living of a nation. Productivity is affected by work methods, capital, quality, technology, and management.

PRODUCT MIX involves planning and developing the right type of product that will satisfy fully the needs of customers. A product has several dimensions. These dimensions are collectively called 'product mix'. Product mix for example may consist of size and weight of the product, volume of output, product quality, product design, product range, brand name, package, product testing, warranties and after sales services and the like.

PROFESSIONAL FEE is that fee charged for services from university trained professionals; primarily doctors, lawyers and accountants. The term is often expanded to include other university trained professions, e.g. pharmacists charging to maintain a medicinal profile of a client or customer.

PROFESSIONAL INVOICE is an invoice associated with professional services rendered, i.e. medical, legal or accounting services. See SERVICE INVOICE and PRODUCT INVOICE.

PROFESSIONAL SERVICES are those services offered by university trained professionals, e.g. doctors, lawyers, and accountants for, normally, a professional fee.

PROFESSIONAL SUBSCRIBER means all other persons who do not meet the definition of Non-Professional Subscriber. SEE NON-PROFESSIONAL SUBSCRIBER.

PROFIT is the excess of revenues over outlays in a given period of time (including depreciation and other non-cash expenses).

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

PROFITABILITY RATIOS are measures of performance showing how much the firm is earning compared to its sales, assets or equity.

PROFIT AFTER TAX (PAT) is the net profit earned by the company after deducting all expenses like interest, depreciation and tax. PAT can be fully retained by a company to be used in the business. Dividends, if declared, are paid to the share holders from this residue.

PROFIT & LOSS ACCOUNT shows the net profit which is left after all relevant business expenses have been deducted.

PROFIT AND LOSS SHARING (PLS) is the method utilized in Islamic banking to comply with the prohibition of interest. The Islamic solution, commonly referred to as Profit & Loss Sharing (PLS), suggests an equitable sharing of risks and profits between the parties involved in a financial transaction. In the banking business, there are three parties - the entrepreneur or the actual user of capital, the bank which serves as a partial

user of capital funds and as a financial intermediary, and the depositors in the bank who are the suppliers of savings or capital funds. There are two different partnerships of the type mentioned in Islam: the partnership between the depositors and the bank, and the partnership between the entrepreneur (or the borrower) and the bank. Under this proposal, financial institutions will not receive a fixed rate of interest on their outstanding loans, rather, they share in profits or in losses of the business owner to whom they have provided the funds. Similarly, those individuals who deposit their funds in a bank will share in the profit/loss of the financial institution.

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 (PBT) is a profitability measure that looks at a company's profits before the company has to pay income tax. This measure deducts all expenses from revenue including interest expenses and operating expenses, but it leaves out the payment of tax.

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 MARGIN ON SALES is: a. Gross Profit Margin on Sales = Gross Profit/Sales * 100; or, b. Net Profit Margin on Sales = Net Profit After Tax/Sales * 100. See also GROSS PROFIT MARGIN ON SALES.

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 item, e.g. *pro forma* financial statement or *pro forma* invoice.

PRO-FORMA FINANCIAL STATEMENT is a financial statement projection that shows how an actual financial statement will look if certain specified assumptions are realized.

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.'

PROGRAM BUDGET is a budget wherein inputs of resources and outputs of services are identified by programs without regard to the number of organizational units involved in performing various aspects of the program.

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

PROGRESS BILLINGS are interim billings for construction work or government contract work. The entry is to debit progress billings receivable and credit progress billings on construction in progress. Progress billings is a contra account to CONSTRUCTION-IN-PROGRESS.

PROJECTION is an approximation of future events. Usually a projection is made by extrapolating known information into the future period, considering events that could affect the outcome. See FORECAST, BUDGET.

PROMISES FOR THE FUTURE is not a standard term, but is sometimes used in contracts to delineate what orders/commitments may exist in the future. Dependent upon the contractual language, it may or may not be binding.

PROMISSORY NOTE, usually just called a 'note', is a NEGOTIABLE INSTRUMENT wherein the maker agrees to pay a specific sum at a definite time.

PROMOTIONAL ALLOWANCES are offered by manufacturers to support the additional promotional activities undertaken by channel members (retailers) on their behalf, e.g. discounts given as part of promotional programs, such as when products are put on sale to increase traffic in a retail store.

PROOF OF POSTING (POP) is: a. to prove by acceptable methods the accuracy of any posts made within accounting ledgers; or b. details confirming the shipment of mail with a postal organization.

PROPORTIANATE UNIT CONCEPT is where a value or distribution is agreeing in amount, magnitude, or degree, e.g. a shareholder holding 1% outstanding shares of an entity is entitled to receive 1% of that entities declared dividend, i.e. it is in proportion.

PROPRIETARY is an account, item, or information belonging to a company or individual. See PROPRIETARY ASSET.

PROPRIETARY ASSET, usually, is any asset that is considered in the realm of intellectual property that should not be disclosed, e.g., all information having to do with clients/customers, including but not limited to names, addresses, telephone numbers and other contact information, as well as any other personal or business related information, as it may exist from time to time is a valuable, and unique proprietary asset to a company. Proprietary assets would also include trade secrets and undisclosed inventions.

PROPRIETARY THEORY is where no fundamental distinction is drawn between a legal entity and its owners, i.e. the entity does not exist separately from the owners for accounting purposes. The primary focus is to report information useful to the owners, and therefore the financial statements are prepared from their perspective. See ENTITY THEORY.

PROPRIETORS DRAW is when a business proprietor draws money for personal needs, but is taxed on business results (at individuals' marginal rate) regardless of drawings.

PROPRIETORS FUNDS is owner's capital plus net profit minus owners drawings.

PROPRIERTORSHIP see SOLE PROPRIERTORSHIP.

PRO RATA is the basis for allocating an amount proportionally to the items involved. An amount may be proportionally distributed to assets, expenses, funds, etc.

PROSPECTIVE PAYMENT SYSTEM (PPS), in healthcare, is a Medicare administered payment plan where providers are paid a predetermined sum for caring for a given number of consumers. The built in incentive is for providers to control costs, theoretically leading to more cost effective care.

PROSPECTIVE REIMBURSEMENT, in healthcare, is a reimbursement method where the third party payer set the amount of money for a particular service to be delivered to clients in agreement with the organization before the service is delivered.

PROSPECTUS is the disclosure document for an offering registered with the SEC. The final prospectus is issued on the effective date, i.e., when the offering is released by the SEC.

PROVISION, generally, is to prepare in advance for an event that is projected to take place in the future. In accounting, it is an amount charged against profits for a specific liability (for example: bad debts, depreciation or taxes). A liability may be known, but the amount is often uncertain. This uncertainty may lead to an adjustment in a later income statement once the final amount of the liability is ascertained.

PROVISION FOR CREDIT LOSSES, in lending institutions, is a charge to income which represents an expense deemed adequate by management given the composition of a bank's credit portfolios, their probability of default, the economic environment and the allowance for credit losses already established. Specific provisions are established to reduce the book value of specific assets (primarily loans) to establish the amount expected to be recovered on the loans. See also PROVISION.

PROX see PROXIMO.

PROXIMO (usually abbreviated to 'PROX') means of or in the following month.

PROXY is a person authorized to act for another, e.g. a power of attorney document given by shareholders of a corporation authorizing a specific vote on their behalf at a corporate meeting.

PRUDENCE is having foresight and caution along with discretion, and to not act recklessly.

PRUDENCE CONCEPT, otherwise known as conservatism, says that whenever there are alternative procedures or values, the accountant will choose the one that results in a lower profit, a lower asset value and a higher liability value.

PTI is Pretax Income.

PUBLIC ACCOUNTING means the performance of or offering to perform any engagement that will result in the issuance of an attest report that is in accordance with professional standards. "Practice of public accounting" also means the performance of or offering to perform services other than those described above, such as consulting services, personal financial planning services, or the preparation of tax returns or the furnishing of advice on tax matters by a sole proprietorship, partnership, limited liability company,

professional association, corporation, or other business organization, that advertises to the public as a "certified public accountant" or "public accountant."

PUBLIC CORPORATION is a corporation formed by federal, state or local governments for specific public purposes.

PUBLIC DEBT OFFICE, in the U.S., is a part of the Department of Treasury and is responsible for the issuance, control, and payment of government issued securities in compliance to existing regulations.

PUBLIC FUNDS is money funded in government securities or through the levy of taxes from a governmental entity.

PUBLIC OFFERING is the sale of a new securities issue to the public by way of an underwriter, a transaction that must be registered with the Securities and Exchange Commission.

PUBLIC OWNERSHIP is either: a. Government ownership and operation of a productive facility for the purposes of providing some goods or services to citizens; or, b. In investments, portion of a corporations stock that is publicly traded and owned in the open market.

PURCHASE ACCOUNT is an account in which all inventory purchases are recorded; used with the periodic inventory method.

PURCHASE AGREEMENT is a contract stating the terms of a purchase.

PURCHASE DISCOUNT is a reduction in the purchase price, allowed if payment is made within a specified period.

PURCHASE METHOD is accounting for an acquisition using market value for the consolidation of the two entities` net assets on the balance sheet. Generally, depreciation/amortization will increase for this method (due to the

creation of goodwill) compared to the POOLING OF INTEREST METHOD resulting in lower net income.

PURCHASE MONEY AGREEMENT is an agreement under which a person pledges the property or item bought as security.

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.

PURCHASE REQUISITION is a written request for goods to be purchased. It is usually prepared by a department head or manager and sent to a firm's purchasing department.

PURCHASE RETURNS is a contra purchase account that records all credits from returned inventory purchases.

PURCHASES BUDGET is a budget of the expected usage of materials in production and the purchase of the direct materials required. See OPERATING BUDGET.

PURCHASES LEDGER see LEDGER.

PURCHASING POWER is the value of a particular monetary unit in terms of the amount of goods or services that can be purchased with it, i,e, the ability to purchase, generally measured by income.

PURE COST is any direct readily verifiable cost assignable to the subject or item, e.g., the direct cost of producing a product.

PURE RESEARCH is motivated exclusively by the search for knowledge for its own sake.

PUSH-DOWN ACCOUNTING, in acquisitions, is an exception to the general rule that the acquiree's carrying values are unaffected by the purchase may arise when substantially all of the acquiree's shares are purchased by the acquirer. In that case, the acquirer may direct the acquiree to revalue its assets in accordance with the fair values attributed to those assets by the acquirer. This practice is known as push-down accounting, because the fair values are "pushed down" to the acquiree's books. The net effect is the same as if the acquirer had formed a new subsidiary, which then purchased all of the assets and liabilities of the acquiree. There are two advantages to push-down accounting: a. The first is that the financial position and results of operations of the acquiree will be reported on the same economic basis in both the consolidated statements and its own separate entity statements. Without push-down accounting, for example, it would be possible for the subsidiary to report a profit on its own and yet contribute an operating loss to the parent's consolidated results, if the consolidation adjustments are sufficient to tip the balance between profit and loss; and, b. The second advantage is that the process of consolidation will be greatly simplified for the parent. Since the carrying values will be the same as the acquisition fair values, there will be no need for many of the consolidation adjustments that otherwise will be required every time consolidated statements are prepared.

PUSH-PULL STRATEGY is the effective simultaneous use of a combination of two marketing strategies: **PUSH** = 1. (physical distribution definition) A manufacturing strategy aimed at other channel members rather than the end consumer. The manufacturer attempts to entice other channel members to carry its product through trade allowances, inventory stocking procedures, pricing policies, etc. 2. (sales promotion definition) The communications and promotional activities by the marketer to persuade wholesale and retail channel members to stock and promote specific products. **PULL** = 1. (physical distribution definition) A manufacturing strategy aimed at the end

consumer of a product. The product is pulled through the channel by consumer demand initiated by promotional efforts, inventory stocking procedures, etc. 2. (sales promotion definition) The communications and promotional activities by the marketer to persuade consumers to request specific products or brands from retail channel members.

PUT is (1) A stipulated privilege of buying or selling a stated property, security, or commodity at a given price (strike price) within a specified time (for an American-style option, at any time prior to or on the expiration date). A securities option is a negotiable contract in which the seller (writer), for a certain sum of money called the option premium, gives the buyer the right to demand within a specified time the purchase (call) or sale (put) by the option seller of a specified number of bonds, currency units, index units, or shares of stock at a fixed price or rate called the strike price. Many options are settled for cash equal to the difference between the aggregate spot price and the aggregate strike price rather than by delivery of the underlying. In the U.S. and many other countries, stock options are usually written for units of 100 shares. Other units of underlying coverage are standard in other option markets. Options are ordinarily issued for periods of less than one year, but longer-term options are increasingly common. (2) Any financial contract that changes in value like an option (asymmetrically), even if the terms of the contract do not state the price relationship in terms of a right or privilege or in other language usually associated with options.

PUT OPTION is the right but not the obligation to sell an underlying at a particular price (strike price) on or before the expiration date of the contract. Alternatively, a short forward position with an upside insurance policy.

PUT WARRANT is a security that, in contrast to a conventional warrant, gives the holder the right to sell the underlying or to receive a cash payment that increases as the value of the underlying declines. Put warrants, like their call warrant counterparts, generally have an initial term of more than one year.

AAA is American Accounting Association, Association of Accounting Administrators, or see ACCUMULATED ADJUSTMENT ACCOUNT.

AAA-CPA is American Association of Attorney-Certified Public Accountants.

AACSB is American Assembly of Collegiate Schools of Business.

AAFI is Associated Accounting Firms International.

AAHCPA is American Association of Hispanic CPAs.

A&E can mean either Appropriation & Expense or Analysis & Evaluation.

A&G is Administrative & General.

A&M is Additions and Maintenance.

A&P is an acronym for Administrative and Personnel.

AAT, in Great Britain, is Association of Accounting Technicians.

ABA is the American Bar Association. See below also.

ABA (Accredited Business Accountant or Accredited Business Advisor), in the US, is a national credential conferred by Accreditation Council for Accountancy and Taxation to professionals who specialize in supporting the financial needs of individuals and small to medium sized businesses. ABA is the only nationally recognized alternative to the CPA. Most accredited individuals do not perform audits. Generally, they are small business owners themselves. In addition to general accounting work, CPAs are also heavily

schooled in performing audits; however, only a small fraction of America's businesses require an audit. In general, a CPA has majored in accounting, passed the CPA examination and is licensed to perform audits. An ABA has majored in accounting, passed the ABA comprehensive examination and in most states is not licensed to perform audits.

ABATEMENT, in general, is the reduction or lessening. In law, it is the termination or suspension of a lawsuit. For example, an abatement of taxes is a tax decrease or rebate.

ABC see ACTIVITY BASED COSTING.

ABM see ACTIVITY BASED MANAGEMENT.

ABNORMAL EXPENSE see EXTRAORDINARY ITEMS.

ABNORMAL GAIN see NORMAL LOSS.

ABNORMAL ITEMS see EXTRAORDINARY ITEMS.

ABNORMAL LOSS see NORMAL LOSS.

ABNORMAL RETURNS is the difference between the actual return and that is expected to result from market movements (normal return).

ABNORMAL SPOILAGE is spoilage that is not part of everyday operations. It occurs for reasons such as the following: out-of-control manufacturing processes, unusual machine breakdowns, and unexpected electrical outages that result in a number of spoiled units. Some abnormal spoilage is considered avoidable; that is, if managers monitor processes and maintain machinery appropriately, little spoilage will occur. To highlight these types of problems so that they can be monitored, abnormal spoilage is recorded in a Loss from Abnormal Spoilage Account in the general ledger and is not included in the job costing inventory accounts (work in process, finished goods, and cost of goods sold).

ABOVE THE LINE, in accounting, denotes revenue and expense items that enter fully and directly into the calculation of periodic net income, in contrast to below the line items that affect capital accounts directly and net income only indirectly.

ABOVE THE LINE, for the individual, is a term derived from a solid bold line on Form 1040 and 1040A above the line for adjusted gross income. Items above the line prior to coming to adjusted gross income, for example, can include: IRA contributions, half of the self-employment tax, self-employed health insurance deduction, Keogh retirement plan and self-employed SEP deduction, penalty on early withdrawal of savings, and alimony paid. A taxpayer can take deductions above the line and still claim the standard deduction.

ABSOLUTE CHANGE is a numerical change in an empirical value, e.g. cost of goods was reduced by $9.00.

ABSORB is to assimilate, transfer or incorporate amounts in an account or a group of accounts in a manner in which the first entity loses its identity and is "absorbed" within the second entity. For example, see ABSORPTION COSTING.

ABSORBED COSTS incorporates both variable and fixed costs.

ABSORPTION see ABSORB.

ABSORPTION COSTING is the method under which all manufacturing costs, both variable and fixed, are treated as product costs with non-manufacturing costs, e.g. selling and administrative expenses, being treated as period costs.

ABSORPTION PRICING is where all costs, both fixed and variable; plus a percentage mark-up for profit; are recovered in the price.

ABSORPTION VARIANCE is the variance from budgeted absorption costing of manufactured product. See also ABSORPTION COSTING.

ACA is Accreditation Council for Accountancy.

ACAT (Accreditation Council for Accountancy and Taxation) is a national organization established in 1973 as a non-profit independent testing, accrediting and monitoring organization. The Council seeks to identify professionals in independent practice who specialize in providing financial, accounting and taxation services to individuals and small to mid-size businesses. Professionals receive accreditation through examination and/or coursework and maintain accreditation through commitment to a significant program of continuing professional education and adherence to the Council's Code of Ethics and Rules of Professional Conduct.

ACB normally refers to 'adjusted cost base.'

ACCELERATED DEPRECIATION is a method of calculating depreciation with larger amounts in the first year(s).

ACCEPTANCE is a drawee's promise to pay either a TIME DRAFT or SIGHT DRAFT. Normally, the acceptor signs his/her name after writing "accepted" (or some other words indicating acceptance) on the bill along with the date. That "acceptance" effectively makes the bill a promissory note, i.e. the acceptor is the maker and the drawer is the endorser.

ACCOMODATION ENDORSEMENT is a) the guarantee given by one legal entity to induce a lender to grant a loan to another legal entity. b) a banking practice where one bank endorses the acceptances of another bank, for a fee, qualifying them for purchase in the acceptance market.

ACCOUNT is the detailed record of a particular asset, liability, owners' equity, revenue or expense.

ACCOUNT AGING usually refers to the methods of tracking past due accounts in accounts receivable based on the dates the charges were incurred. Account aging can also be used in accounts payable, to a lesser

degree, to monitor payment history to suppliers. See also AGING OF ACCOUNTS.

ACCOUNT ANALYSIS is a way to measure cost behavior. It selects a volume-related cost driver and classifies each account from the accounting records as a fixed or variable cost. The cost accountant then looks at each cost account balance and estimates either the variable cost per unit of cost driver activity or the periodic fixed cost.

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.

ACCOUNT-CLASSIFICATION METHOD, also called account analysis, is a cost estimation method that requires a study of an account in the general ledger. The experienced analysts use the account information as well as their own judgment to determine how costs will behave in the future.

ACCOUNT CURRENT is a running or continued account between two or more parties, or a statement of the particulars of such an account.

ACCOUNT DISTRIBUTION is the process by which debits and credits are identified to the correct accounts.

ACCOUNT GROUP, in accounting, is a designation of a group of accounts of like type (for example: accounts receivable and fixed assets).

ACCOUNTING is primarily a system of measurement and reporting of economic events based upon the accounting equation for the purpose of decision making. 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 CONVENTION see CONVENTION.

ACCOUNTING CYCLE is the sequence of steps in preparing the financial statements for a given period. It refers to the fact that because financial reports are given each period (usually a year) there are a set of steps (cycle) taken each period that result in the reports and preparation for the next period or cycle. The term cycle is used because every period there is a start and an end. The cycle usually starts with the budget, goes through the journal entries, adjusting entries, posting to the accounts, financial reports, and closings.

ACCOUNTING DATA is all the information and data contained in journals, ledgers and other records that support financial statements, e.g. spreadsheets. It may be in computer readable form or on paper.

ACCOUNTING DIVERSITY is the recognition that many diverse national and international accounting standards exist in the world.

ACCOUNTING ENTITY ASSUMPTION states that a business is a separate legal entity from the owner. In the accounts the business' monetary transactions are recorded only.

ACCOUNTING ENTITY is an organization, institution or being that has its own existence for legal or tax purposes. An accounting entity is often an organization with an existence separate from its individual members--for example, a corporation, partnership, trust, etc. See also ACCOUNTING ENTITY ASSUMPTION.

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 EVENT is when the assets and liabilities of a business increase/decrease or when there are changes in owner's equity.

ACCOUNTING INCOME is the income derived through historical accrual based accounting. Income = the change in net assets occurring during the period excluding transactions with owners; i.e. transaction based.

ACCOUNTING MEASUREMENT AND DISCLOSURE is the concepts of measurement and information disclosure required for decision making.

ACCOUNTING PACKAGE/SOFTWARE, usually, is a commercially available software program or suite that, with little customization, will satisfy the accounting system needs of the purchasing entity.

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

ACCOUNTING PRINCIPLES see GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP).

ACCOUNTING PRINCIPLES BOARD (APB) OPINIONS were published by the Accounting Principles Board (APB). The APB was created by American Institute of Certified Public Accountants (AICPA) in 1959; replaced by Financial Accounting Standards Board (FASB) in 1973. The APB mission was to develop an overall conceptual framework of US generally accepted accounting principles (US GAAP). APB was the main organization setting the US GAAP and its opinions are still an important part of it.

ACCOUNTING RATIO is the result of dividing one financial statement item by another. Ratios help analysts interpret financial statements by focusing on specific relationships.

ACCOUNTING STANDARDS BOARD (ASB) makes, improves, amends and withdraws accounting standards. Many of ASBs specialize in the various fields or sectors of accounting.

ACCOUNTING SYSTEM is the set of manual and computerized procedures and controls that provide for identifying relevant transactions or events; preparing accurate source documents, entering data into the accounting records accurately, processing transactions accurately, updating master files properly, and generating accurate documents and reports.

ACCOUNTING THEORY tries to describe the role of accounting and is composed of four types of accounting theory: classical inductive theories, income theories, decision usefulness theories, and information economics / agency theories: a. Classical inductive theories are attempts to find the principles on which current accounting processes are based; b. Income theories try to identify the real profit of an organization; c. Decision usefulness theories attempt to describe accounting as a process of providing the relevant information to the relevant decision makers; and, d. The information economics / agency theories of accounting see accounting information as a good to be traded between rational agents each acting in their own self-interest.

ACCOUNTING TIMING DIFFERENCE is the effect that a defered accounting event would have on the financials if taken into consideration e.g., the release of a deferred tax asset to the income statement as a deferred tax expense (ie the reversal of an accounting timing difference).

ACCOUNTING TREATEMENT is the methods, processes and decisions as to any given accounting decision as to how a transaction is to be or is handled in compliance to GAAP and all applicable statutes.

ACCOUNTS PAYABLE (AP) are trade accounts of businesses representing obligations to pay for goods and services received.

ACCOUNTS PAYABLE TO SALES measures the speed with which a company pays vendors relative to sales. Numbers higher than typical industry ratios suggest that the company is using suppliers assets (cash owed) to fund operations.

ACCOUNTS 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.

ACCOUNTS RECEIVABLE RESERVE is a reserve against bad debt. See also RESERVE and RESERVE ACCOUNTS.

ACCOUNTS RECEIVABLE TURNOVER is the ratio of net credit sales to average accounts receivable, which is a measure of how quickly customers pay their bills.

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, e.g. the aging of wine or growth of timber/trees.

ACCRUAL is the recognition of revenue when earned or expenses when incurred regardless of when cash is received or disbursed.

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.

ACCRUAL CONCEPT see ACCRUAL BASIS OF ACCOUNTING.

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 INVENTORY functions as a "clearing" account to establish a liability for inventory physically received into the warehouse, but for which a vendor invoice had not yet arrived.

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.

ACCRUED PAYROLL is a liability arising from employees' salary expense that has been incurred but not paid.

ACCRUED REVENUE is the accumulated revenue as they have been recognized over a given period.

ACCRUED VACATION see ACCRUED LIABILITY.

ACCUMULATED ADJUSTMENT ACCOUNT (AAA) under Section 1368(e)(1) of the IRS Code provides that the term "accumulated adjustment account" (AAA) means an account of the S corporation which is adjusted for the S period in a manner similar to the adjustments under § 1367 (except that no adjustment shall be made for income (and related expenses) which is exempt from tax under title 26 and the phrase "(but not below)" shall be disregarded in § 1367(b)(2)(A)) and no adjustment shall be made for Federal

taxes attributable to any taxable year in which the corporation was a C corporation.

ACCUMULATED AMORTIZATION is the cumulative charges against the intangible assets of a company over the expected useful life of the assets.

ACCUMULATED DEPRECIATION is the cumulative charges against the fixed assets of a company for wear and tear or obsolescence.

ACH is Automated Clearing House.

ACID-TEST RATIO is an analysis method used to measure the liquidity of a business by dividing total liquid assets by current liabilities.

ACKNOWLEDGEMENT OF INDEBTEDNESS is a written recognition of debt that is enforceable in law, e.g. memorandum check, bank draft, or loan contract.

ACMA is an acronym for Associate Chartered Management Accountant.

ACQUISITION is one company taking over controlling interest in another company. See also MERGER and POOLING OF INTERESTS.

ACQUISITION COST is the amount, net of both trade and cash discounts, paid for property, plus transportation costs and ancillary costs.

ACQUISITION PRICE PRINCIPLE see COST PRINCIPLE.

ACR is Accounts Receivable. See ACCOUNTS RECEIVABLE.

ACTIVITY BASED COSTING (ABC) is a costing system that identifies the various activities performed in a firm and uses multiple cost drivers (non-volume as well as the volume based cost drivers) to assign overhead costs (or indirect costs) to products. ABC recognizes the causal relationship of cost drivers with activities.

ACTIVITY BASED MANAGEMENT (ABM) converts Activity Based Costing (ABC) into a system to manage an organization. Activity Based Management not only focuses on product, service, customer, channel costing, it also emphasizes: cost drivers (root cause analysis), action plans to improve to achieve strategic objectives, and, performance measures for activities and processes.

ACTIVITY DRIVERS, in activity based costing (ABC), activity costs are assigned to outputs using activity drivers. Activity drivers assign activity costs to outputs based on individual outputs' consumption or demand for activities. For example, a driver may be the number of times an activity is performed (transaction driver) or the length of time an activity is performed (duration driver) see DURATION DRIVERS, INTENSITY DRIVERS, TRANSACTION DRIVERS.

ACTIVITY RATIO is any accounting ratio that measures a firm's ability to convert different accounts within their balance sheets into cash or sales.

ACTUAL CASH VALUE (ACV) is the common method of determining the amount of reimbursement for a loss. Normally calculated be determining what it will cost to replace an item at the time of loss after subtracting depreciation.

ACTUAL COST is the amount paid for an asset; not its retail value, market value or insurance value.

ACTUALS is jargon used when speaking of an actual number experienced through some point in time as opposed to a number that is budgeted or projected into the future, e.g., year-to-date sales, expenses, product produced, etc.

ACTUARIAL METHOD means the method of allocating payments made on a debt between the amount financed and the finance or other charges where the payment is applied first to the accumulated finance or other charges and

any remainder is subtracted from, or any deficiency is added to the unpaid balance of the amount financed.

ACTUARIAL SCIENCE applies mathematical and statistical methods to finance and insurance, particularly to the assessment of risk. Actuaries are professionals who are qualified in this field.

ACV see ACTUAL CASH VALUE.

ADA, among others, is Americans with Disabilities Act of 1990.

ADD-INS is: a. something designed or intended for use in conjunction with another, e.g. accessories to a primary product in a purchase order; or, b. an accessory software program that extends the capabilities of an existing application.

ADDITIONAL PAID IN CAPITAL is the amounts paid for stock in excess of its par value; included are other amounts paid by stockholders and charged to equity accounts other than capital stock.

ADEA is Age Discrimination in Employment Act of 1967.

ADEQUATE DISCLOSURE is sufficient information in footnotes, as well as financial statements, indicative of a firm's financial status.

ADF, in invoicing, is After Deducting Freight.

AD HOC is being concerned with a particular end or purpose, e.g., a *ad hoc committee* established to handle a specific subject.

ADI, in invoicing, is After Date of Invoice.

ADJUNCT ACCOUNT is an account that accumulates either additions or subtractions to another account. Thus the original account may retain its identity. Examples include premiums on bonds payable, which is a contra

account to bonds payable; and accumulated depreciation, which is an offset to the fixed asset.

ADJUSTED BASIS see BASIS.

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.

ADJUSTED EARNINGS PER SHARE is a non-GAAP financial measure of earnings per share. Dependent upon the entity, it may or may not include what would normally be included in a GAAP sanctioned earnings per share calculation.

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.

ADJUSTMENT can be either: 1. an increase or decrease to an account resulting from ADJUSTING ENTRIES; or, 2. changing an account balance due to some event, e.g., adjustment of an account due to the return of merchandise for credit.

ADMINISTRATIVE/ADMINISTRATION COST see INDIRECT COST.

ADMITTED ASSETS are assets whose values are permitted by state law to be included in the annual statement.

ADMITTED VALUE see ADMITTED ASSETS.

ADR is American Depository Receipts.

ADSCR is Average Debt Service Coverage Ratio.

ADVANCE is an amount paid before it is earned, e.g. payment ahead of actual expenditures or phase completion of a construction project.

ADVANCED ACCOUNTING covers accounting operations, patterns, merger of public holding companies, foreign currency operations, changing financial statement prepared in foreign and local currencies. Advanced accounting also includes a variety of advanced financial accounting issues such as lease contracts, pension funds, end of service severance payments, etc.

ADVERSE OPINION is expressed if the basis of accounting is unacceptable and distorts the financial reporting of the corporation. If auditors discover circumstances during the course of the audit that make them question whether they can issue an unqualified opinion, they should always discuss those circumstances with the client before issuing the opinion, in order to determine whether it is possible to rectify the problem.

ADVICE NOTE is a written piece of information e.g. about the shipping status of the goods.

ADVISING BANK is a bank in the exporter's country handling a letter of credit.

AFE, dependent upon usage, is an acronym for Authorization for Expenditure or Average Funds Employed.

AFFILIATE is a relationship between two companies when one company owns substantial interest, but less than a majority of the voting stock of another company, or when two companies are both subsidiaries of a third company.

AFUDC is Accumulated Funds Used During Construction or Allowance for Funds Used During Construction.

AGED TRIAL BALANCE alphabetically lists accounts receivable with outstanding balances. It displays one balance for every account by age and is typically produced only once on demand to check receivable details against other reports.

AGENCY is the relationship between a principal and an agent wherein the agent is authorized to represent the principal in certain transactions.

AGENCY COSTS is the incremental costs of having an Agent make decisions for a principal.

AGE OF INVENTORY see DAYS IN INVENTORY.

AGING OF ACCOUNTS is the classification of accounts by the time elapsed after the date of billing or the due date. The longer a customer's account remains uncollected or the longer inventory is held, the greater is its realization risk. If a customer's account is past due, the company also has an Opportunity Cost of funds tied-up in the receivable that could be invested elsewhere for a return. An aging schedule of accounts receivable may break down receivables from 1-30 days, 31-60 days, 61-90 days, and over 90 days. With regard to inventory, if it is held too long, obsolescence, spoilage, and technological problems may result. Aging can be done for other accounts such as fixed assets and accounts payable. See also ACCOUNT AGING.

AGGREGATE is the sum or total.

AGGREGATE THEORY is a theory of partnership taxation in which a partnership is considered as an aggregate of individual co-owners who have bound themselves together with the intention of sharing gains and loses; under this theory, the partnership itself has no existence separate and apart from its members.

AGI (Annual Gross Income) is annualized total income prior to exclusions and deductions.

AGING see ACCOUNT AGING.

AGING OF RECEIVABLES see ACCOUNT AGING.

AGREED UPON PROCEDURES are used when a client retains an external auditor to perform specific tests and procedures and report on the results. Examples might include special reviews of loan portfolio or internal control systems. In performing agreed-upon procedures, the auditor provides no opinion, certification, or assurance that the assertions being made in the financial statements are free from material misstatement. The users of reports based on agreed-upon procedures must draw their own conclusions on the results of the tests reported. For example, an external auditor could be asked to look at a certain number of corporation loan files and document which of the required forms are in the files. The auditor would report on the selection and the results of the procedures performed but would not provide a formal opinion with conclusions drawn from the results of the procedures.

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.

ALLOCATE is to distribute according to a plan or set apart for a special purpose. Examples: a. spread a cost over two or more accounting periods; b. charge a cost or revenue to a number of departments, products, processes or activities on a rational basis.

ALLOCATION is the act of distributing by allotting or apportioning; distribution according to a plan, e.g., allocating costs is the assignment of costs to departments or products over various time periods, products, operations, or investments. See ALLOCATE.

ALLONGE is a piece of paper attached to a negotiable instrument to allow space for writing endorsements.

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.

ALLOWANCE, within Sales, is a concession granted to customers for unsatisfactory goods or services. Reduces sales because a portion of the sale has not been earned.

ALLOWANCE FOR BAD DEBTS is an account established to record a subtraction from ACCOUNTS RECEIVABLE, to allow for those accounts that will not be paid.

ALLOWANCE FOR DOUBTFUL ACCOUNTS see ALLOWANCE FOR BAD DEBTS.

ALLOWANCE FOR DOUBTFUL DEBTS see ALLOWANCE FOR BAD DEBTS.

ALLOWANCE FOR NOTES RECEIVABLE LOSSES is an account maintained at a level considered adequate to provide for probable losses. The provision is increased by amounts charged to earnings and reduced by net charge-offs. The level of allowance is based on management's evaluation of the portfolio, which takes into account prevailing and anticipated business and economic conditions and the net realizable value of securities held.

ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS see ALLOWANCE FOR BAD DEBTS.

ALLOWANCE METHOD is the accepted way to account for bad debt. Bad debt expense may be based on the percent of credit sales for the period, an aging of the accounts receivable balance at the end of the period, or some other method, e.g., percent of accounts receivable.

ALPHA is the measurement of returns from an investment in excess of market returns. It represents the amount expected from fundamental causes, e.g. the growth rate in earnings per share. This contrasts with BETA, which is a measure of risk or volatility.

ALTERNATE PAYEE ENDORSEMENT, normally, it is when one payee endorses a draft over to another entity, then the new or alternate payee endorses the draft near the original payees endorsement (signature).

ALTMAN, EDWARD 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). VentureLine 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 highly suspect value.

- **ORIGINAL Z-SCORE** (For Public Manufacturer) If the Z-Score is 3.0 or above - banruptcy 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 is appropriated 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 in not likely, buyt a Z-Score of 1.23 or below is a strong indicator that bankruptcy is likely. 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 B Z-SCORE** (For Private General Firm) Model B Z-Score is appropriate for a private general non-manufacturing firm. A Z-Score of 2.60 or above indicates that bankruptcy in not likely, buyt a Z-Score of 1.10 or below is a strong indicator that bankruptcy is likely. Probabilities of bankruptcy within the above ranges are 95% for one year and 70% within two years. A Z-Score between the two is the gray area. Obviously a higher Z-Score is desirable.

ALTMAN Z-SCORE reliably predicts whether or not a company is likely to enter into bankruptcy within one or two years:

- 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 Z-Score between 1.8 and 3.0 is the gray area, i.e., a high degree of caution should be used.

Probabilities of bankruptcy within the above ranges are 95% for one year and 70% within two years. A Z-Score between the two is the gray area. Obviously a higher Z-Score is desirable. It is best to assess each individual company's Z-Score against that of the industry. In low margin industries it is possible for Z-Scores to fall below the above. In such cases a trend comparison to the industry over consecutive time periods may be a better indicator. It should be remembered that 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.

AM can be: Asset Management, Account Manager, After Market, Audit Manager, or Accounting Management.

AMALGAMATION is a consolidation or merger, as of several corporations. In business, the distinction being that the surviving entity incorporates the asset base of others into its base.

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. 3. the deduction of capital expenses over a specific period of time. Similar to depreciation, it is a method of measuring the "consumption" of the value of long-term assets like equipment or buildings.

AMS see AUTOMATED MANIFEST SYSTEM.

ANALYSIS CODES, in accounting, represent software driven analysis methods which are independent of the normal grouping of account codes. An analysis code allows management to collect and monitor income and expenditure for a particular function or event that is not captured by the use of a project code or class, i.e. allows for much finer segmentation.

ANCILLARY relates to something extra or of lesser importance. For example, ancillary revenue would be revenue derived from the provisioning of products or services that are not considered to be primary to the generation of revenue.

ANGEL INVESTOR is a private wealthy individual that has no association with a venture capital firm, investment fund, etc. The "angel" invests his/her private money into what he/she believes to be promising opportunities, i.e., normally startup companies. Sometimes two or more "angels" will jointly invest into opportunities to spread the risk.

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.

ANNUAL REPORT is the requirement for all public companies to file an annual report with the Securities and Exchange Commission detailing the preceding year's financial results and plans for the upcoming year. Its regulatory version is called "Form 10 K." The report contains financial information concerning a company's assets, liabilities, earnings, profits, and other year-end statistics. The annual report is also the most widely-read shareholder communication.

ANNUITY, in finance, is a series of fixed payments, usually over a fixed number of years; or for the lifetime of a person, in which case it would be called a life-contingent annuity or simply life annuity.

ANOMALY, generally, is a deviation from the common rule. It is an irregularity that is difficult to explain using existing rules or theory. In securities, it is an unexplained or unexpected price or rate relationship that seems to offer an opportunity for an arbitrage-type profit, although not typically without risk. Examples include the tendency of small stocks to outperform large stocks, of stocks with low price-to-book value ratios to outperform stocks with high price-to-book value ratios, and of discount currency forward contracts to outperform premium currency forward contracts.

ANR is Average Number of Runs or Average Not Ready (call centers).

AOP is either Adjusted Operating Profit or Annual Operations Plan.

AP is Accounts Payable.

APB is Accounting Principles Board or an Accounting Principles Board opinion (GAAP).

APB 18 is the Accounting Principles Board Equity Method of Accounting for Investments in Common Stock.

APB 29 (Accounting Principles Board Opinion No. 29) Accounting for Non-monetary Transactions states that an exchange of non-monetary assets should be recorded at fair value. Certain modifications to that basic principle are contained in paragraphs 20-23 of APB No. 29. Paragraph 21(b) provides that accounting for an exchange of productive assets for similar productive assets should be based on the recorded amount of the non-monetary assets relinquished. However, Paragraph 4 of APB No. 29 states that Opinion is not applicable to business combinations.

APIC is an acronym for Additional Paid-In-Capital (finance/business).

APPLICATION RATE is the quantity (mass, volume or thickness) of material applied per unit area.

APPLICATION RATE, OVERHEAD is a rate used to apply manufacturing overhead to output; estimated factory overhead for a period divided by the estimated application base.

APPLIED RESEARCH is designed to solve practical problems of the modern world, rather than to acquire knowledge for knowledge's sake.

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

APPRAISAL is a report made by a qualified person setting forth an opinion or estimate of value.

APPRAISAL VALUE is an opinion of a asset's fair market value, based on an appraiser's knowledge, experience, and analysis of the asset class.

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.

APPROPRIATE / APPROPRIATED / APPROPRIATION is distribution of net income to various accounts and / or the allocation of retained earnings for a designated purpose, e.g. plant expansion.

APPROPRIATION ACCOUNT is a separate account for which specific dollar amounts are authorized and appropriated.

AR is Accounts Receivable.

ARBITRAGE is the movements of funds to take advantage of differences in exchange or interest rates; such movements quickly eliminate any such differences.

ARGUMENT IN ACCOUNTING usually revolves around the premise that characterizes fair values of assets as being more relevant but less reliable

than their historical costs, with fair value being ultimately more informative only if its increased relevance outweighs its reduced reliability.

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

AROE is Adjusted Return on Equity.

ARPU is Average Revenue Per User.

ARR is an acronym for Accounting Rate of Return.

ARREARS is an unpaid overdue debt, or the state of being behind in payments, e.g. an account in arrears.

ARTICLES OF INCORPORATION is the primary legal document of a corporation; they serve as a corporation's constitution. The articles are filed with the state government to begin corporate existence. The articles contain basic information on the corporation as required by state law.

ARTICLES OF PARTNERSHIP is the contract creating a partnership.

ARTICULATION, in business, is the shape or manner in which things come together and a connection is made. In the spoken word, it is expressing in coherent verbal form.

ASB see ACCOUNTING STANDARDS BOARD.

ASC is Accounting Standards Committee or Australian Securities Commission.

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.

AS-IS CONDITION is the transfer of title to a property in an existing condition with no warranties or representations.

ASK PRICE, in the context of the over-the-counter market, the term "ask" refers to the lowest price at which a market maker will sell a specified number of shares of a stock at any given time. The term "bid" refers to the highest price a market maker will pay to purchase the stock. The ask price (also known as the "offer" price) will almost always be higher than the bid price. Market makers make money on the difference between the bid price and the ask price. That difference is called the "spread".

ASRB is Accounting Standards Review Board.

ASSESSED VALUE is the estimated value of property used for tax purposes.

ASSESSMENT is a. proportionate share of a shared expense; or, b. amount of tax or other levied special payment due to a governmental municipality or association.

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 REVALUATION RESERVE is an accounting concept and represents a reassessment of the value of a capital asset as at a particular date. The reserve is considered a category of the equity of the entity. An asset is originally recorded in the accounts at its cost and depreciated periodically over its estimated useful life as a measure of the amount of the asset's value consumed in that period. In practice, the actual useful life of an asset can be miscalculated or an event can cause a change to the useful life. Consequently, assets occasionally need to be revalued in order to reflect a more close approximation to their "worth" in the accounts. When the asset is revalued, the offsetting entry (in a double entry accounting system) would be either made to the profit or loss accounts or to the equity of the entity.

ASSET REVERSION is asset recovery by the sponsoring employer through termination of a defined benefit pension fund and/or of assets in excess of amounts required to pay accrued benefits of a pension fund. In the U.S., assets recovered through reversion are subject to corporate income tax and an excise tax.

ASSET SALE is the sale of certain named assets of a corporation, partnership or sole proprietorship. Usually the seller retains ownership of the cash and cash equivalents (such as Accounts Receivable) and the liabilities of the entity. The seller then will pay the liabilities with the cash, any down payment and the cash equivalents as they become cash. Assets named are typically trade name, trade fixtures, inventory, leasehold rights, telephone number rights and goodwill. Assets sold can be tangible or intangible.

ASSETS HELD FOR SALE are those assets, primarily long-term assets, that an entity wishes to dispose of or liquidate through sale to others.

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 VALUATION is the process of determining the current worth of a portfolio, company, investment, or balance sheet item. The term is often used to describe the worth of an asset which may be incorporated into company accounts, where the ownership of the asset is not necessarily to be transferred but the valuation is required for the balance sheet, company takeovers, share flotation or mortgages.

ASSIGNED VALUE is a value that serves as an agreed-upon reference for comparison; normally derived from or based upon experimental work of some national or international organization.

ASSOCIATE, in business, is a person brought together with a company or another person into a relationship in any of various intangible ways.

ASSOCIATED CREDIT is where a charitable or a not for profit entity (a university for example) may acknowledge the efforts of persons, other than the legal donor(s), who were instrumental in facilitating or providing for a gift by providing "soft" (or associated) credit for gifts. Associated credit allows the entity to acknowledge these efforts without compromising the entity's legal obligation to record the gift according to IRS regulations. Associated credit is given for donor recognition purposes, allowing their names to be listed in publications such as the "Report to Contributors" and other donor recognition publications. For example an individual may write a corporate gift to a university, i.e. the individual would get the associated credit. Also known as SOFT CREDIT.

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.

ASSURANCE has been defined by the American Institute of Certified Public Accountants (AICPA) as "Independent Professional Services that improve information quality or its context". Such services are very broad and could

include assessments of various industries, e.g., Internet security or quality of health facilities.

ATA (Accredited Tax Advisor), in the US, is a national credential conferred by Accreditation Council for Accountancy and Taxation to professionals who handle sophisticated tax planning issues, including ownership of closely held businesses, qualified retirement plans and complicated estates.

ATM see AUTOMATED/AUTOMATIC TELLER MACHINE.

ATP is an acronym for After Tax Profit, Accredited Tax Preparer, and possibly more.

ATP (Accredited Tax Preparer), in the US, is a national credential conferred by Accreditation Council for Accountancy and Taxation to professionals who have a thorough knowledge behind the existing tax code and tax preparation of individuals, corporate and partnership tax returns.

AT RISK is the exposure to the danger of economic loss; frequently used in the context of claiming tax deductions. For example, a person can claim a tax deduction in a limited partnership if the taxpayer can show it is at risk of never realizing a profit and of losing its initial investment.

ATTEST is to authenticate, affirm to be true, genuine, or correct, as in an official capacity.

AT THE MONEY is an option where the strike price is approximately equal to the underlying price.

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

AUCTION MARKET is a trading system in which buyers enter competitive bids and sellers enter competitive offers simultaneously. This, as opposed to

the over-the-counter market, where trades are negotiated. Examples: the NYSE and the AMEX. It is sometimes called double auction market.

AUDIT is the inspection of the accounting records and procedures of a business, government unit, or other reporting entity by a trained accountant for the purpose of verifying the accuracy and completeness of the records. It could be conducted by a member of the organization (internal audit) or by an outsider (independent audit). A CPA audit determines the overall validity of financial statements. A tax audit (IRS in the U.S.) determines whether the appropriate tax was paid. An internal audit generally determines whether the company's procedures are followed and whether embezzlement or other illegal activity occurred.

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

AUDIT COMMITTEE, in a larger or more sophisticated corporation, the board may find it useful to appoint an audit committee whose oversight extends not only to external audits, but also to internal audits, internal controls, and external reporting. Ideally, an audit committee is composed of three to five non-management directors and, as needed, outsiders with accounting and financial expertise. In a smaller corporation the audit committee may be a single director with financial expertise and audit experience who takes the lead in exercising the board's audit oversight responsibility.

AUDIT EVIDENCE includes written and electronic information (such as checks, records of electronic fund transfers, invoices, contracts, and other information) that permits the auditor to reach conclusions through reasoning.

AUDIT FAILURE is an Instance where the auditor said that the financial statements were fairly stated when in fact, they were not.

AUDITING STANDARDS provide minimum guidance for the auditor that helps determine the extent of audit steps and procedures that should be applied to fulfill the audit objective. They are the criteria or yardsticks against which the quality of the audit results are evaluated.

AUDIT OPINION LETTER is a signed representation by an auditor as to the reliability and fairness of a set of financial statements. It is usually presented at the beginning of an audit report.

AUDITOR is an accountant usually certified by a national professional association of accountants, if one exists in the corporation's country, or certified by another country's recognized national association of accountants. Corporations will often work with both internal auditors and external auditors.

AUDIT PLAN/PLANNING is developing an overall strategy for the expected conduct and scope of the audit. The nature, extent, and timing of planning varies with the size and complexity of the entity, experience with the entity, and knowledge of the entity's business.

AUDIT REPORT is a signed, written document which presents the purpose, scope, and results of the audit. Results of the audit may include findings, conclusions (opinions), and recommendations.

AUDIT RISK is a combination of the risk that material errors will occur in the accounting process and the risk the errors will not be discovered by audit tests. Audit risk includes uncertainties due to sampling (sampling risk) and to other factors (non-sampling risk).

AUDIT SCHEDULES are the information formats developed by the external auditors to guide the corporation in the preparation of particular information presented in a particular manner that facilitates the audit. These should always be completed by the corporation prior to the start of the audit.

AUDIT SCOPE refers to the activities covered by an internal audit. Audit scope includes, where appropriate: audit objectives; nature and extent of auditing procedures performed; Time period audited; and related activities not audited in order to delineate the boundaries of the audit.

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.

AUDIT TRAIL is a step-by-step record by which financial, business, and quality assurance data can be traced to its source. For example: checking the validity of an accounting entry through the step-by-step record by which accounting data can be traced to their source.

AUTHORITATIVE PRONOUNCEMENT is a formal declaration of opinion sanctioned by established authority.

AUTHORIZATION OF STOCK is the provision in a corporate charter giving permission to issue stock.

AUTHORIZATION SCHEDULE is the guideline under which the subject activity is controlled and authorized. For example, expenditure spending may be controlled by amounts and the managerial level required authorizing or approving a preset trigger amount. As the amount increases over certain preset levels, higher managerial authority is required for approval.

AUTHORIZED CAPITAL STOCK is the maximum number of shares of common stock that can be issued under a company's Articles of Incorporation. Issued shares are normally less than the number of authorized shares.

AUTHORIZED STOCK see AUTHORIZED CAPITAL STOCK.

AUTOMATED MANIFEST SYSTEM (AMS) is a multi-modular cargo inventory control and release notification system. AMS is the electronic

system allowing a manifest inventory to be transmitted to the US Customs Service data center by carrier, port authority or service center computers. AMS interfaces directly with Customs Cargo Selectivity and In-Bond systems, and indirectly with ABI, allowing faster identification and release of low risk shipments.

AUTOMATED/AUTOMATIC TELLER MACHINE (ATM) is an unattended machine (outside some banks) that dispenses money or allows an individual to conduct unassisted business transactions with the ATM when a personal coded card is used.

AUXILIARY JOURNAL is a journal in which accounting information is stored both before and after the transfer to the General Ledger.

AVAILABLE FOR SALE is a term that means exactly what is says, i.e. an asset is available for purchase and transfer of ownership upon reaching an agreed upon price.

AVAL is a term meaning inseparable from the financial instrument. This gives a guarantee and is abstracted from the performance of the underlying trade contract: Article 31 of the 1930 Geneva Convention of the Bills Of Exchange states that the aval can be written on the bill itself or on an allonge. US Banks are prohibited from avalizing drafts.

AVALIZOR is an institution or person who gives an aval.

AVERAGE AGE OF INVENTORY is calculated by the formula: 365 / inventory turnover.

AVERAGE COST is total cost for all units bought (or produced) divided by the number of units.

AVERAGE COST METHOD is using a weighted average cost for items in inventory rather than actual cost for each specific item.

AVERAGE FUNDS EMPLOYED see FUNDS EMPLOYED.

AVERAGE SETTLEMENT PERIOD is calculated:
For Debtors = Trade Debtors X 365 days / Credit Sales
For Creditors = Trade Creditors X 365 days / Credit Purchases.

AVOIDABLE COST is the amount of expense that would not occur if a particular decision were to be implemented (e.g., if an employee is laid off at a company that is self-insured for unemployment compensation, the avoidable cost is total direct salary less payments for unemployment benefits plus savings in employee benefits).

AXIOM, generally, it is a saying that is widely accepted on its own merits; in logic, it is a proposition that is not susceptible of proof or disproof; its truth is assumed to be self-evident.

BACKDOOR LISTING is a technique used by a company which failed to get listed on an exchange, whereby the company acquires and merges with a company already listed on that exchange.

BACKCHARGE is to charge a person or a firm an amount of money in order to make adjustments for a previous transaction.

BACKLOG is value of unfilled orders placed with a manufacturing company. Whether a firm's backlog is rising or falling is a clue to its future sales and earnings.

BACK-TO-BACK TRADING allows securities dealers to trade and settle the same securities several times during the same settlement day without loss of value days.

BACKUP WITHHOLDING is a mandatory withholding that may be imposed when rules regarding taxpayer identification numbers, (usually a Social

Security number) are not met by the individual. Another way for these withholdings to take effect is when a notice is issued by the IRS to withhold on payments to that individual. Backup withholding may be claimed as a credit by taxpayers on their federal income tax return.

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

BAD DEBT EXPENSE see UNCOLLECTIBLE ACCOUNT EXPENSE.

BALANCE is: a. equality between the totals of the credit and debit sides of an account; or, b. the difference between the totals of the credit and debit sides of an account.

BALANCED SCORECARD (BSC) is a strategic management system based upon measuring key performance indicators across all aspects and areas of an enterprise: Financial, Customer, Internal Process, and Learning and Growth.

BALANCE FORWARD ACCOUNTING is where you maintain a list of charges and payments for each account. To find out the balance at any point in time, you add the charges, add the payments, and then subtract total payments from total charges. A billing statement is sent out every month with any balance carried forward from the previous statement

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.

BALANCE SHEET GEARING is the ratio of interest-bearing debt to equity.

BALANCING OFF THE BOOKS means totaling off the various amounts to find out how much money is left or, how overdrawn the organization is. At

certain times; e.g. once a month, quarterly, for management committee meetings; it may be necessary to 'balance off the books".

BALLOON PAYMENT is a final loan payment that is considerably higher than prior regular payments, in order to pay off the loan.

BANCASSURANCE is a general term describing the broader financial services activities of banks and building societies, in particular their 'insurance company' activities.

BANK BALANCE is the amount of money in a bank account on a particular date as recorded by a financial institution on a bank statement.

BANK COLLECTION is the collection of a check by the bank on behalf of a depositor.

BANK GUARANTEE is an irrevocable commitment by a bank to pay a specified sum of money in the event that the party requesting the guarantee fails to perform the promise or discharge the liability to a third person in case of the requestor's default.

BANK OVERDRAFT see OVERDRAFT.

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

BANK STATEMENT is a statement reporting all transactions in the accounts held by the account holder.

BANKRUPTCY is a state of insolvency of an organization or individual, i.e. an inability to pay debts. In the U.S., bankruptcy can take either of three forms:

A) Chapter 7 is involuntary liquidation forced by creditor(s). Some companies are so far in debt that they can't continue their business operations. They are likely to "liquidate" and are forced to file under Chapter 7. The courts take over and administers through a court appointed trustee. Their assets are sold for cash by a court appointed trustee. Administrative and legal expenses are paid first, and the remainder goes to creditors;

B) Chapter 11 is voluntary by the debtor. Unless the court rules otherwise, the debtor stays in control of the enterprise. The U.S. Trustee, the bankruptcy arm of the Justice Department, will appoint one or more committees to represent the interests of creditors and stockholders in working with the company to develop a plan of reorganization to get out of debt.; and,

C) Chapter 13 bankruptcy, a debtor proposes a 3-5 year repayment plan to the creditors offering to pay off all or part of the debts from the debtors' future income. The amount to be repaid is determined by several factors including the debtors' disposable income. To file under this chapter you must have a "regular source of income" and have some disposable income. Like in a Chapter 7, corporations and partnerships may not file under this chapter.

BARRIERS TO ENTRY are obstacles to the entry of new firms into a market. Barriers to entry may take various forms. They may be technical barriers, legal barriers or barriers that arise from strong branding of the product.

BARS is an acronym for Base Accounts Receivable System.

BARTER SYSTEM see **TRADE EXCHANGE**.

BAS, among many others, can mean Basic Accounting System, Business and Administrative Services, or Bachelor of Arts and Sciences.

BASE AMOUNT is the fundamental numerical assumption from which something is begun or developed or calculated or explained, e.g. base pay.

BASE CAPITAL includes (1) shares that (a) are non-cumulative, non-retractable, non-redeemable and, if convertible, are only convertible into common shares, and (b) have been issued and paid for; base capital also includes (2) contributed surplus, and (3) retained earnings.

BASE TAX YEAR is the tax year prior to the subject tax year.

BASIC ACCOUNTING normally includes the areas of Debits and Credits; Accounts; Assets, Liabilities, Equity, Revenue and Expenses; and, an

accounting system that offers a method for checking, balancing, and reconciling all accounting related transactions in order to produce accurate pictures of the entities financial health. Profit and Loss Reports, Balance Sheets, and Cash Flow Statements are the end result of compiling all the transactions into meaningful, usable information for individuals and business owners alike.

BASIC DEFENSE INTERVAL (BDI) is a measure that if for some reason all of your revenues were to suddenly cease, the Basic Defense Interval (BDI) helps determine the number of days your company can cover its cash expenses without the aid of additional financing. The BDI is calculated: (Cash + Receivables + Marketable Securities) / ((Operating Expenses + Interest + Income Taxes) / 365) = Basic Defense Interval.

BASIC EARNINGS POWER (BEP) is useful for comparing firms in different tax situations and with different degrees of financial leverage. This ratio is often used as a measure of the effectiveness of operations. Basic Earning Power measures the basic profitability of Assets because it excludes consideration of interest and tax. This ratio should be examined in conjunction with turnover ratios to help pinpoint potential problems regarding asset management.

BASIC NET INCOME PER SHARE is always reported as net income per share on an undiluted basis. The calculation of diluted net income per share includes the effect of common stock equivalents such as outstanding stock options, while the calculation of basic net income per share does not.

BASIC TENETS OF ACCOUNTING are four in number: 1. Assets = Liabilities + Owner's Equity, 2. Debits = Credits, 3. Assets are on the left (debit side), and, 4. Liabilities and Equity are on the right (credit side).

BASIS, generally, is that figure or value that is the starting point in computing gain or loss, depreciation, depletion, and amortization of a company. Specifically, it is the financial interest that the Internal Revenue Service attributes to an owner of an investment property for the purpose of determining annual depreciation and gain or loss on the sale of the asset. If a

property was acquired by purchase, the owner's basis is the cost of the property plus the value of any capital expenditures for improvements to the property, minus any depreciation allowable or actually taken. This new basis is called the ADJUSTED BASIS.

BASIS, in investments, is the cost or book value of an investment. The gain or loss on an investment is the sale price less the basis. Basis is often called "cost basis."

BASIS POINTS is 0.01% in yield. For example, in increasing from 5.00% to 5.05%, the yield increases by five basis points.

BATCH is a collection of things or persons to be handled or processed together.

BATCH COSTING is the identification and assignment of those costs incurred in completing the manufacture of a specified batch of components. Having arrived at the batch cost, the unit cost is simply derived by dividing it by the number of components in the batch.

BATCHING, in accounting, is the gathering and organizing of incoming invoices prior to processing.

BAY, in business / accounting, means Buy Another Yearly.

BBA can mean: Bachelor of Business Administration, Balanced Budget Act of 1997, Budget Activity Account, Budget By Account, British Bankers Association, Black Business Association, etc.

BCF is an acronym for Broadcast Cash Flow.

BCL is an acronym for, among others, Bank Comfort Letter or Bachelor of Canon/Civil Law.

B/D is Brought Down (T-accounts).

BDI see BASIC DEFENSE INTERVAL.

BE, dependent upon usage, can mean Best Estimate, Best Effort, or Bill of Exchange.

BEHAVIOURAL ACCOUNTING is the explanation and prediction of human behavior in all possible accounting contexts, e.g., adequacy of disclosure, usefulness of financial statement data, attitudes about corporate reporting practices, materiality judgements, and decision effects of alternative accounting procedures.

BELOW THE LINE, in accounting, denotes credits or debits affecting balance sheet accounts rather than the income statement. Extraordinary items may also appear below the net profit line in the income statement, but accounting standards-setters have increasingly favored reflecting most such items in periodic net income.

BENCHMARK is a study to compare actual performance to a standard of typical competence; or, a standard for the basis of comparison as being above, below or comparable to.

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 a person who benefits from the terms of a trust, pension or provident fund, or other deferred income plan, or an insurance policy. In banking, it is the person in whose favor a letter of credit is issued or a draft is drawn.

BENEFIT see TAXABLE BENEFITS.

BENEFIT PERIOD is the projected useful life time period over which an asset will be productive.

BEST PRACTICES are the generally understood operational characteristics of corporations which have been successful in terms of high repayment rates, significant outreach, and progress towards surplus generation.

BETA, in securitites, is a statistical measurement correlating a stock's price change with the movement of the stock market. The beta is an indicator or statistical measure of the relative volatility of a stock, fund, or other security in comparison with the market as a whole. The beta for the market is 1.00. Stocks with betas above 1.0 are more responsive to the market, but are also more risky investments. Stocks with a beta below 1.0 tend to move in the opposite direction of the market. For example, if the market moves 10%, a stock with a beta of 3.00 will move 30%; a stock with a beta of .5 will move 5%.

BID PRICE see ASK PRICE.

BIFURCATED generally means to be divided into or made up of two parts. In accounting an example would be: to split the cash account in the accounting records into two accounts, cash – principal and cash – income.

BIG BATH is a business strategy in which a company manipulates its income statement to make poor results look even worse. Strategy being that the following year will show significant improvement. Big bath is sometimes employed by new CEOs to make their first years results more impressive by employing big bath accounting to prior year results.

BIG 4 usually refers to the largest accounting firms: Deloitte & Touche, Ernst and Young, KPMG, and PricewaterhouseCoopers.

BILL is a : to enter in an accounting system : prepare a bill of (charges) b : to submit a bill of charges to c : to enter (as freight) in a waybill d : to issue a bill of lading to or for; e.g., "billable expenses" are those expenses for which reimbursement invoices are issued.

BILLABLE are those costs and/or expenses that are covered under a contractual agreement between two entities that may be billed to the receiving entity.

BILLABLE HOURS is professional hours worked and billed to clients.

BILL AND HOLD see SHIP IN PLACE.

BILL AND HOLD INVENTORY see SHIP IN PLACE.

BILLBACK, in e-commerce and credit card transactions, is a means of recovering or reducing interchange fees for transactions clearing differently than planned. The processing company (FDC) passes through the charges to the merchant.

BILLINGS is the request for payment of a debt.

BILLINGS, generally, is the request for payment of a debt. In accounting, it is sales for which invoicing has been issued.

BILLINGS IN EXCESS OF COSTS see COST IN EXCESS OF BILLINGS.

BILL IN PLACE see SHIP IN PLACE.

BILL OF EXCHANGE see DRAFT.

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.

BILL OF MATERIALS (BOM) is a listing of all the assemblies, sub-assemblies, parts, and raw materials that are needed to produce one unit of a finished product. Each finished product has its own bill of materials.

BILL OF SALE is a written statement attesting to the transfer (sale) of goods, possessions, or a business to a buyer.

BILLS PAYABLE, in merchant accounts, are all bills which have been accepted, and promissory notes which have been made, are called "bills payable," and are entered in a ledger account under that name, and recorded in a book bearing the same title.

BILLS PURCHASED, in trade finance, allows a seller to obtain financing and receive immediate funds in exchange for a sales document not drawn under a letter of credit. The bank will send the sales documents to the buyer's bank on behalf of the seller.

BILLS RECEIVABLE, in merchant accounts, are all promissory notes, bills of exchange, bonds, and other evidences or securities which a merchant or trader holds, and which are payable to him.

BIN CARD is a stock status recording document for a particular material/item held in a stock room. It is for the recording of stock receipts and issues and the running balance which should be on hand.

BIR is Bureau of Internal Revenue, Benefit/Investment Ratio, or Best Incremental Return.

BLACK HOLE EXPENDITURE is a capital R&D expenditure that does not give rise to a depreciable asset and is not otherwise deductible.

BLACK MARKETS are created when buyers and sellers meet to negotiate the exchange of a prohibited or illegal good. More generally, it is any unofficial market in which prices are inordinately high.

BLANKET AUTHORIZATION is direct authority to act without having to gain approval for each action. For example: "Blanket authorization was given to him for all his business travel".

BLENDED COSTS is the cost of pre-set multiple items or processes that result in more than one end result or product. In a sense it is a form of cost averaging rather than stand-alone costing of one given product or identified process.

BLIND RECEIVING is a method to ensure more accurate warehouse receipt counts, i.e., PO quantities or items are not displayed on receiving tickets.

BLIND TRUST is a trust where assets are not disclosed to their owner.

BLUE SKY LAW is a law providing for state regulation and supervision of the issuance of investment securities.

BMR, among others, is Base Mortgage Rate.

BOA is Board of Auditors, Bank of America, Board of Adjustment, or Basic Ordering Agreement.

BOM see BILL OF MATERIALS.

BONA FIDE GUARANTY covers a specific element of a secured transaction, for example, the integrity of receivables or the accuracy of inventory count.

BOND is a commonly used form of long term debt.

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 is to: a. secure payment of duties and taxes on (goods) by giving a bond; or, b. convert into a debt secured by bonds; or, c. provide a bond for

or cause to provide such a bond (e.g., to bond an employee) that guarantees any monetary loss caused by intentional acts by the bonded employee.

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.

BOND DISCOUNT is the excess of a bond face value over issued price.

BOND FUND see GLOBAL MUTUAL FUND.

BOND INDENTURE is the title specifying all the obligations of the issuing company to the bondholder.

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.

BOND PREMIUM is the excess of the issue price over the face value of the bond.

BOND REFERENDUM see REFERENDUM.

BOND SINKING FUND is a provision to repay a bond.

BONUS is remuneration over and above regular salary.

BOOK(S) when used as a noun refers to journals or ledgers (for example: cash book). When used a verb it refers to the recording of an entry (for example: to book the sale).

BOOKBUILD is a particular way of conducting a float where the price at which shares are sold is not fixed, but rather is determined following a process in which interested investors bid for shares. This is quite a common way of determining the price paid for shares by institutional investors (Funds Managers).

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.

BOOK INCOME is the income reported within the financial statements of the taxable entity, i.e., taxable income normally is not aligned with the financial income (book income) reported within financial statements

BOOKING, in import / export, is an arrangement with a shipping company to load and carry a shipment.

BOOK INVENTORY is the acquistion cost of all inventory less liabilities associated wth the inventory. See BOOK VALUE.

BOOKKEEPING is the recording of business transactions.

BOOK OF ACCOUNTS see LEDGER.

BOOKS OF ACCOUNT are the financial records of a business. Usually refers to the lowest level of recorded data, before summaries are made.

BOOKS OF RECORD are all mandatory entries into those documents that track the activity, events, or decisions pertaining to the subject for which the records are maintained, e.g., board of director minutes, births or deaths, and marriage licenses.

BOOK-TAX DIFFERENCE is pretax book income minus tax net income.

BOOK-TO-BILL RATIO is the ratio of orders taken (*sic* booked) to products shipped and bills sent (*sic* billed). The ratio is a measure of whether a company has more, equal to or less than the orders than it can likely produce and deliver. The book-to-bill ratio is primarily of interest to investors or traders in the high-tech sector.

BOOK-TO-MARKET is the ratio of the firm's book equity to market equity.

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.

BOOK PROFIT see BOOK INCOME.

BOOT is money received during an exchange to equalize values, e.g. if a person sells his business for an assumption of liabilities and for some cash the cash is 'boot.'

BORROWING COSTS is the financial costs incurred by an enterprise in connection with the borrowing of funds, i.e. interest, amortization of discounts or premiums arising on the issue of debt securities, loan fees, gains and losses on foreign currency differences related to borrowed funds and regarded as an adjustment to interest costs.

BOTTOM LINE, in accounting/finance, is specifically net income after taxes. In general, it is an expression as to the end results of something, e.g. the net worth of a corporation on a balance sheet, sales generated from a marketing campaign, or final decision on most any subject (Often said: "give me the bottom line").

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

BOUGHT LEDGER see LEDGER.

BOUNCED CHECK is a check written for an amount exceeding the checking account balance that is subsequently rejected for payment due to insufficient funds.

BOY is Beginning Of Year.

BPO, dependent upon usage, could mean Business Process Outsourcing, Business Process Optimization, Blanket Purchase Order, Broker Price Opinions, Business Process Object, or Bank Payment Order.

BR could be Backward Reporting or Bad Register.

BRANCH ACCOUNTING is accounting for geographically separated sections of enterprises. The accounting system adopted depends upon the degree to which the branch is controlled from its head office.

BRAND IMAGE is the view held by consumers about a particular brand of good or service. The stronger the brand image the more inelastic the demand for the product is likely to be.

BRAND LOYALTY is a situation when a consumer is reluctant to switch from consumption of a favored good. The consumer is "loyal" to the brand.

BRAND NAME is a name given to a product or service.

BREACH OF CONTRACT is the failure to perform provisions of a contract.

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 EQUATION is the equation that determines BREAK-EVEN POINT. Let p = unit selling price, v = unit variable cost, FC = total fixed costs, x = sales in units. The equation: px = vx + FC.

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.

BREAK-EVEN SALESsee BREAK-EVEN POINT.

BRIDGE LOAN (BRIDGING LOAN) is an equity loan secured to solve short-term financing problem.

BRITISH-AMERICAN MODEL is an accounting model. There are other accounting systems which differ from the U.S. accounting model. U.S. GAAP and FASB standards are not the only accounting principles used internationally; for example, many countries reverse the U.S. debit and credit system. Many countries with high rates of inflation account for inflation in financial reports much more than the U.S. does. Also, for any company operating internationally there is the currency exchange translation problem when consolidating financial statements.

BROKERAGE, dependent upon usage, is the business of a broker; charges a fee to arrange a contract between two parties, or, the place where a broker conducts his/her business.

BROUGHT FORWARD is the recognition of a value that was determined in the past, e.g. an accumulated balance brought forward at the start of a new accounting period.

BSP is Business Service Provider, Billing and Settlement Plan (airlines), Business Systems Planning, or Bank Settlement Plan.

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). Of the many kinds of budgets, a CASH BUDGET shows CASH FLOW, an EXPENSE BUDGET lists expected payments of money, and a CAPITAL BUDGET shows the anticipated payments for CAPITAL ASSETS. See FORECAST, PROJECTION.

BUDGETARY ACCOUNTING, contrary to financial accounting, looks forward: it measures the cost of planned acquisitions and the use of economic resources in the future.

BUDGETARY DEFICIT occurs when expenditures are greater than revenues.

BUDGET CONTROL is actions carried out according to a budget plan. Through the use of a budget as a standard, an organization ensures that managers are implementing its plans and objectives. Their actual performance is measured against budgeted performance.

BUDGETING is the documenting of intended expenditures over a specified time period (normally one year) along with proposals for how to meet them. See also ZERO BASED BUDGET.

BUDGET PERFORMANCE REPORT is the comparison of planned budget and actual performance.

BUDGETING PROCESS is a systematic activity that develops a plan for the expenditure of a usually fixed resource, such as money or time, during a given period to achieve a desired result.

BUFFER is anything that stands between two other things. For example, an inventory buffer would be additional inventory over and above committed or planned inventory. The inventory buffer will act as an inventory reserve to ensure that sufficient inventory is available when and if required, i.e., the buffer inventory stands between committed inventory and 'out-of-stock' status.

BUFFER STOCK see STOCK RESERVE.

BURDEN RATE, when referring to personnel burden, is the sum of employer costs over and above salaries (including employer taxes, benefits, etc.). When referring to factory or manufacturing see OVERHEAD.

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.

BURSARY is the treasury of a public institution or religious order.

BUSINESS ANALYST, in securities/investment industry, is a person with expertise in evaluating financial investments; a business analyst performs investment research and makes recommendations to institutional and retail investors to buy, sell, or hold; most analysts specialize in a single industry or business sector.

BUSINESS COMBINATION is the merger of separate entities or operations of entities into one reporting entity.

BUSINESS ENTITY is a selection of the legal form under which a business is to operate: sole proprietorship, general partnership, corporation, S corporation (in the U.S.), or, a limited liability company.

BUSINESS ENTITY PRINCIPLE is where the business is seen as an entity separate from its owner(s) that keeps and presents financial records and prepares the final accounts and financial statements. The accounting is kept for each entity as a whole (groups of companies must present consolidated accounts and consolidated financial statements).

BUSINESS MATRIX, often used in business incubators, is where separate business entities join forces to advance the development of a start-up, e.g.., one firm may offer offices, another marketing/sales assistance or

manufacturing expertise, etc. Such a matrix may receive compensation in the form of equity from the start-up being assisted by that business matrix.

BUSINESS PLAN is a description of a business (normally over a 1-5 year period). A basic business plan includes: product(s) and/or service(s), the market, competitor analysis, the key people involved, financing needs, and the financial rewards if the business plan is implemented successfully. A well-prepared business plan plays two important roles, firstly, it is a useful management tool that can help management plot a course for the company, and secondly, it is a vital sales tool that will impress funding sources, e.g., venture capitalists or the board of directors, with management's planning ability and general competence. Other things being equal, a well prepared business plan will increase a company's chances of obtaining a financial commitment to fund the business.

BUSINESS PROCESS REENGINEERING (BPR) is the analysis and radical redesign of business processes using objective, quantitative methods and tools and management systems to accomplish change or performance improvement. Also called: Re-Engineering, Reengineering, Process Reengineering, Process Quality Management, BPR, Process Innovation, Process Improvement, and Business Process Engineering

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.

BUSINESS RISK see OPERATING RISK.

BUSINESS SEGMENT is a component of an enterprise that (a) provides a single product or service or a group of related products and services and (b)

that is subject to risks and returns that are different from those of other business segments.

BUSINESS TRANSACTION see TRANSACTION.

BUSINESS UNIT is equivalent to a wholly owned subsidiary except that it is not treated as a separate legal entity. It is an organization within a firm that could operate separately because it has all support functions contained within the business unit. The internal financial reporting from a business unit to the corporate office is basically identical to a separate legal entity.

BUSINESS VALUATION determines the price that a hypothetical buyer would pay for a business under a given set of circumstances.

BUYER'S MARKET is where the quantity of goods for sale exceeds the amount consumers are willing and able to buy at the current market price. It is characterized by low prices. For example, a market condition that occurs in real estate where more homes are for sale than there are interested buyers.

BVAL is Business Valuator Accredited for Litigation.

BVI is an acronym for British Virgin Islands (a major offshore banking and corporation player).

B/W is Black & White, Between, or Bundled With.

B/(W) is Better or Worse.

BYLAWS are the provisions of corporate policies.

BY-PRODUCTS are incidental products resulting from the processing of another product.

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

CAD see CASH AGAINST DOCUMENTS.

CAGR see COMPOUND ANNUAL GROWTH RATE.

CALL can be 1. process of redeeming a bond or preferred stock issue before its normal maturity. A security with a call provision typically is issued at an interest rate higher than one without a call provision. Investors look at yield-to-call rather than yield-to-maturity; 2. right to buy 100 shares of stock at a specified price within a specified period; or, 3. option to buy (call) an asset at a specified price within a specified period.

CALLABLE BOND is a bond the issuer has the right to pay off at issuer's discretion.

CALL CENTER is the part of an organization that handles inbound/outbound communications with customers.

CALL PREMIUM is a premium in price above the par value of a bond or share of preferred stock that must be paid to holders to redeem the bond or share of preferred stock before its scheduled maturity date.

CALL PROVISION is a. a provision of a bond or preferred stock issue, listed in its indenture (the formal agreement between the bond issuer and the holder) that allows the issuer to redeem the bond before the maturity date either at par or at a premium to par; or, b. a clause in a mortgage giving the lender the right to demand and receive payment of the balance of the unpaid principal in full under certain conditions. A call provision is similar to an acceleration clause.

C&C can mean: Cash and Carry or Collection & Classification.

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.

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.

CANDY DEAL is a slang term that refers to an illegal business practice to inflate revenue/sales numbers by selling product to distributors with a pledge to buy them back later, in addition to providing a percentage kickback to the distributor for assisting in falsifying the sale.

CAP is a series of European interest rate call options used to protect against rate moves above a set strike level.

CAPEX see CAPITAL EXPENDITURE.

CAPITAL, in economics, can mean: factories, machines, and other man-made inputs into a production process. In finance, capital is money and other property of a corporation or other enterprise used in transacting the business.

CAPITAL ACCOUNT, in finance, is an account of the net value of a business at a specified date; in economics, it is that part of the balance of payments recording a nation's outflow and inflow of financial securities.

CAPITAL ADDITION is a. new (as opposed to replacement) part added to an existing non-current productive asset (e.g., equipment) used for business purposes that increases the useful life and service potential of the asset; or, b. in taxation, cost of capital improvements and betterments made to the property by a taxpayer.

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 ASSET PRICING MODEL (CAPM) is an equilibrium model which describes the pricing of assets, as well as derivatives. The model concludes that the expected return of an asset (or derivative) equals the riskless return plus a measure of the assets non-diversiable risk ("beta") times the market-wide risk premium (excess expected return of the market portfolio over the riskless return). That is: expected security return = riskless return + beta x (expected market risk premium). It concludes that only the risk which cannot be diversified away by holding a well-diversified portfolio (e.g. the market portfolio) will affect the market price of the asset. This risk is called systematic risk, while risk that can be diversified away is called diversifiable risk (or "nonsystematic risk"). Unfortunately, The CAPM is more difficult to implement in practice than the binomial option pricing model or the Black-Scholes formula because to price an asset it requires measurement of the asset's expected return and its beta. But, on the other hand, it also attempts to answer a more difficult question: The binomial option pricing model or the Black-Scholes formula asks what is the value of a derivative relative to the concurrent value of its underlying asset. The CAPM asks what is the value of an asset (or derivative) relative to the return of the market portfolio. Because of this, the option models are often referred to as "relative" valuation models, while the CAPM is considered an "absolute" valuation

model. William Sharpe won the Nobel Prize in Economics principally for his role in the development of the CAPM.

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 CHARGE is a monetary amount, calculated by multiplying the money the business has tied up in capital, by the weighted average cost of capital (WACC). Capital charge is deducted from net operating profit after tax to arrive at Economic Profit.

CAPITAL COMMITMENT is an agreement to undertake capital expenditure at some set time in the future which has not yet become an actual liability.

CAPITAL CONTRIBUTION is cash or property acquired by a corporation from a shareholder without the receipt of additional stock.

CAPITAL EMPLOYED is the value of the assets that contribute to a company's ability to generate revenue, i.e, fixed assets plus current assets minus current liabilities.

CAPITAL EXPENDITURE (CAPEX) is the amount used during a particular period to acquire or improve long-term assets such as property, plant or equipment.

CAPITAL EXPENDITURE RATIO is the ratio of capital expenditure and other investments to total assets. It is used as a proxy for growth opportunities in a financial analysis.

CAPITAL FUNDS is the total of capital debentures, if any, capital stock, if any, surplus, undivided profits, unallocated reserves, guaranty fund, and guaranty fund surplus.

CAPITAL GAIN is the excess of selling price over purchase price, which may be given special treatment for tax purposes provided the sale takes place more than a given number of months after purchase.

CAPITAL IMPROVEMENT, in real estate, is any permanent structure or other asset added to a property that adds to its value. In general, it is any value added activity or cost to a long-term or permanent asset that increases its value.

CAPITAL IN EXCESS OF PAR see ADDITIONAL PAID IN CAPITAL.

CAPITAL INFUSION often refers to the cross-subsidization of divisions within a firm. When one division is not doing well, it might benefit from an infusion of new funds from the more successful divisions. In the context of venture capital, it can also refer to funds received from a venture capitalist to either get the firm started or to save it from failing due to lack of cash.

CAPITAL INTENSIVE is used to describe industries or sectors of the economy that require large investments in capital assets to produce their goods, such as the automobile industry. These firms require large profit margins and/or low costs of borrowing to survive.

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).

CAPITALIZATION OF MAINTAINABLE EARNINGS is a valuation method; perhaps the most generally accepted method that involves capitalizing the future maintainable earnings by the application of a suitably chosen capitalization rate or multiple. The definition of earnings may be profit after tax ("PAT") or earnings before interest and tax ("EBIT"). This methodology,

which in reality is a surrogate for the discounted cash flow method, requires consideration of several factors, including: a. an estimate of future maintainable earnings having regard to historical operating results and forecasts of future earnings; b. determination of an appropriate capitalization rate which will reflect the risks inherent in the business including sensitivity to industry risk factors, growth prospects, the general economic outlook and alternative investment opportunities; and c. a separate assessment of any surplus or unrelated assets and liabilities which are not essential to the continuing earning capacity of the business operations.

CAPITALIZATION RATE, also known as CAP RATE, is the rate of return a property will produce on the owner's investment. It is stated as a rate of interest or discount rate used to convert a series of future payments into a single 'present value'. In real estate, the rate includes annual capital recovery in addition to interest.

CAPITALIZE, in general business, it is to supply with capital, as of a business by using a combination of capital used by investors and debt capital provided by lenders; or, to consider expenditures as capital assets rather than expenses. Specifically, it 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.

CAPITALIZED COSTS are business expenses that are written off or deducted over a period of time through depreciation or amortization schedules.

CAPITALIZED INTEREST is the accrued interest added to the principal balance of a loan while you are not making payments or your payments are insufficient to cover both the principal and interest due. When this occurs, you are paying interest on interest, sometimes called "negative amortization".

CAPITALIZED LABOR means all direct costs of labor that can be identified or associated with and are properly allocable to the construction, modification, or installation of specific items of capital assets and, as such, can thereby be written down over time via a depreciation or amortization schedule as capitalized costs.

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 LOSS is the excess of purchase price over selling price when the assets have been held for more than a certain period of time and which is given a special treatment for tax purposes.

CAPITAL MAINTENANCE contains two concepts, a financial concept and a physical concept. Most entities adopt a financial concept of capital maintenance. Under this concept a profit is earned only if the monetary amount of net assets at the end of the period, excluding distributions/contributions to/from owners, exceeds the monetary amount of net assets at the beginning of the period. Financial capital maintenance is usually measured in monetary units; however, the requirement to report the impact of hyperinflation results in the measurement of assets and liabilities in monetary units of constant purchasing power.

CAPITAL MARKET is a market where equity or debt securities are traded.

CAPITAL OUTLAY see CAPITAL EXPENDITURE.

CAPITAL PROFIT is a synonym for: RETURN OF CAPITAL is the distribution of cash that resulted from tax savings on depreciation, sale of a capital asset or securities, or any other sources unrelated to retained earnings.

CAPITAL RATIONING is restrictions put of the amount planned for new expenditures.

CAPITAL RECEIPTS is proceeds from the sale of capital assets. They may be used to finance new capital expenditure or repay existing loan debt. Receipts available to finance capital expenditure in future years are normally held in the usable capital receipts reserve.

CAPITAL REDEMPTION RESERVE, in Great Britain, the S170 Companies Act 1985 provides that where shares of a company are redeemed or purchased wholly out of the company's profits, or by a fresh issue the amount by which the company's issued share capital is diminished on cancellation of the shares shall be transferred to a reserve called the 'capital redemption reserve'. It also provides that the reduction of the company's share capital shall be treated as if the capital redemption reserve were paid up capital of the company.

CAPITAL REDUCTION means reducing a company's stated capital base.

CAPITAL REPLACEMENT, or economic depreciation, is the portion of the value of machinery and equipment, in addition to repairs, that is used up in the production of a particular commodity. It is based on the current value of the machinery. Capital replacement may be regarded as a discretionary expense in any particular year. It may be deferred when income is low but ultimately must be paid to maintain the capital stock so that over the long term, the operation remains in business.

CAPITAL RESERVE is a fund set aside for specific purposes, thereby cannot be distributed for other uses. See also REVENUE RESERVE.

CAPITAL SPARE is the parts within inventory that are purchased as spare parts for depreciable assets (e.g., capital equipment). As such, the capital spares within inventory are depreciable and should not be treated as normal inventory.

CAPITAL STOCK is the ownership shares of a corporation authorized by its articles of incorporation, including preferred and common stock.

CAPITAL STRUCTURE refers to the permanent long-term financing of a company. Capital structure normally includes common and preferred stock, long-term debt and retained earnings. It does not include accounts payable or short-term debt.

CAPITAL SURPLUS is an archaic term. See PREMIUM ON CAPITAL STOCK.

CAPITAL TO RISK ASSET RATIO (CRAR) is one of the most widely used analytical measures of bank capital adequacy and a tool for controlling bank risk. Since risk assets are always less than total assets, the capital/risk asset ratio is naturally higher than the capital/total asset ratio for any given computational period.

CAPITATION, generally, is a tax or payment levied on the basis of a fixed amount per person. In medical insurance, it is a method of paying for healthcare services on the basis of the number of patients who are covered for specific services over a specified period of time rather than the cost or number of services that are actually provided.

CAPM see CAPITAL ASSET PRICING MODEL.

CAP RATE see CAPITALIZATION RATE.

CAPS, FLOORS AND COLLARS: CAP is a series of European interest rate call options used to protect against rate moves above a set strike level; FLOOR a series of European interest rate put options used to protect against rate moves below a set strike level; and, COLLAR is the simultaneous purchase of an interest rate cap and sale of an interest rate floor on the same index for the same maturity and notional principal amount.

CAPTIVE DISTRIBUTOR is one held under control of another but having the appearance of independence; especially: owned or controlled by another concern and operated for its needs rather than for an open market.

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.

CARRY FORWARD (CF) is data items that will always carry forward into subsequent transactions. If the item is allowed per the required/conditional matrix and no entry is made, the new transaction will reflect the data from the most current record. For example, if the new transaction to be added is current (in sequence), the CF data item will carry forward the data from the prior active record. If the new transaction to be added is out-of-sequence and no entry is made, the CF data item will reflect the data from the current status record. If the item is not allowed, the new transaction will reflect the data from the prior active record.

CARRYING VALUE, also known as "book value", it is a company's total assets minus intangible assets and liabilities, such as debt.

CARTE BLANCHE is unrestricted power to act at one's own discretion, i.e. unconditional authority.

CASE-BASED REIMBURSEMENT, in healthcare, is a hospital payment system in which a hospital is reimbursed for each discharged inpatient at rates prospectively established for groups of cases with similar clinical profile and resource requirements.

CASH is money, in the form of notes and coins, which constitutes payment for goods at the time of purchase.

CASH AGAINST DOCUMENTS (CAD) is a transaction where the buyer assumes ownership/title for the goods being purchased upon paying the agreed upon sale price in cash.

CASH & EQUIVALENTS means all cash, marketplace securities, and other near-cash items. Excludes sinking funds.

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 BILL is a documented receipt of cash payment as opposed to an invoice or promise to pay.

CASH BOOK is a book that records all payments and receipts of business transactions – whether by cash, check or credit card.

CASH BUDGET tracks a business's anticipated cash receipts and disbursements. This is a very detailed and important schedule that draws on information in the Operating Budget.

CASH-CARD is a credit card that entitles the holder to receive cash.

CASH CLEARING ACCOUNT represents a clearing account for voided and reissued imprest cash checks. It is also used for miscellaneous corrections of imprest cash checks.

CASH CONVERSION CYCLE see CASH CYCLE.

CASH COVERAGE RATIO see CASH DEBT COVERAGE RATIO.

CASH COWS are products that produce a large amount of revenue or margin because they have a large share of an existing market which is only expanding slowly.

CASH CYCLE is the length of time, normally stated in numbers of days, between the purchase of raw materials and the collection of accounts receivable generated in the sale of the final product.

CASH DEBT COVERAGE RATIO is the ratio of net cash provided by operating activities to average total liabilities, called the cash debt coverage ratio, is a cash-basis measure of solvency. This ratio indicates a company's ability to repay its liabilities from cash generated from operating activities without having to liquidate the assets used in operations.

CASH DEFICIT, in accounting, is a shortage of available funds to satisfy current obligations.

CASH DISBURSEMENT see DISBURSE/DISBURSEMENT.

CASH DISBURSEMENTS/PAYMENTS JOURNAL is the journal recording all disbursements (or payments).

CASH DISCOUNT is a refund of some fraction of the amount paid because the purchase price is paid by the buyer in cash, as opposed to making the purchase on credit or, sometimes, credit card or check.

CASH DIVIDEND is the payment of earnings to shareholders.

CASH DRAW see PROPRIETORS DRAW.

CASH EARNINGS is cash revenues minus cash expenses. This differs from earnings in that it does not include non-cash expenses such as depreciation.

CASH FLOW is earnings before depreciation and amortization. Cash flow is calculated as the difference between cash inflows and outflows. Cash flow

can be derived from Operating Profit by adjusting for items which do not affect payments (e.g. depreciation) and items (e.g. changes in working capital) which affect payments but are not recorded in Operating Profit.

CASH FLOW ANALYSIS is a type of financial analysis that compares the timing and amount of cash inflows with the timing and amount of cash outflows. A firm's cash flow position can greatly affect its ability to remain in business. These effects may not be apparent from a cost-benefit analysis.

CASH FLOW / CURRENT PORTION OF LONG TERM DEBT is a measure of the firm's ability to meet its obligations with internally generated cash.

CASH FLOW PROJECTION is a forecast of the cash (checks or money orders) a business anticipates receiving and disbursing during the course of a given span of time - frequently a month. It is useful in anticipating the cash portion of your business at specific times during the period projected.

CASH FLOW STATEMENT see STATEMENT OF CASH FLOWS.

CASH FREE BALANCE AMOUNT, in the general ledger, usually represents the net amount of Balance Forward plus Allocations plus Revenue minus Expenditures minus Encumbrances.

CASH FROM FINANCING is the 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.

CASHIER'S CHECK also known as a bank check, official check, teller's check, bank draft or treasurer's check; is a check guaranteed by a bank. They are normally treated as cash because most banks clear them instantly.

CASH IN ADVANCE is when full payment is due before the merchandise is shipped. Least risk to seller, most risk to buyer.

CASH IN BANK literally means coin, currency, and cash items on deposit.

CASH IN TRANSIT is cash being transferred from one business to another or between two parts of the same business. If it is not recorded as an asset in either an adjusting entry may be necessary.

CASH MANAGEMENT is the management of the cash balances of a concern in such a manner as to maximize the availability of cash not invested in fixed assets or inventories and to avoid the risk of insolvency. According to Keynes there are three motives for holding cash: the transactions motive, the precautionary motive, and the speculative motive. The most useful technique of cash management is the cash budget.

CASH-ON-CASH RETURN is the ratio of annual before-tax cash flow to the total amount of cash invested, expressed as a percentage. It is often used to evaluate the cash flow from income-producing assets. It is generally considered a quick napkin test to determine if the property qualifies for further review and analysis. Cash on Cash analyses are generally used by investors looking for properties where cash flow is king, however, some use it to determine if a property is under priced, indicating instant equity in a property. It is calculated: Annual Before-tax Cash Flow divided by the Total Cash Invested.

CASH ON HAND literally means coin, currency, and cash items on hand. It is not possible to have negative cash on hand.

CASH PORTION is that percentage of assets consisting of the legal tender of the amounts in question; the balance of which is the non-cash portion; an example, a transaction where a corporation is acquired via a combination of cash and stock.

CASH PROFIT is profit after tax plus depreciation.

CASH RATIO is a refinement to the QUICK RATIO. It is the ratio of cash and marketable securities to current liabilities. The CASH RATIO indicates the extent to which liabilities could be liquidated immediately. Sometimes called LIQUIDITY RATIO.

CASH RECEIPTS see RECEIPTS.

CASH RECEIPTS JOURNAL is the journal for recording all cash receipts.

CASH RESERVE RATIO (CRR) is a ratio which banks have to maintain with itself in the form of cash reserves or by way of current account with the Reserve Bank, computed as a certain percentage of its demand and time liabilities. The objective is to ensure the safety and liquidity of the deposits with the banks.

CASH SHORT/OVER ACCOUNT, in retail sales, is where any differences between the cash register tape totals and the actual cash receipts is charged against the cash short and over account. If the ending balance of the account is a debit it is shown on the Income Statement as a miscellaneous expense. If the ending balance of the account is a credit it is shown on the Income Statement as Other Revenue.

CASH SWEEP is the use of surplus cash to prepay debt or provide extra security for lenders, instead of paying it out to investors.

CAVEAT, generally, is a warning against certain acts; in law, is a formal notice filed with a court or officer to suspend a proceeding until filer is given a hearing.\

CD see CERTIFICATE OF DEPOSIT.

CDPA is Certified Data Processing Auditor.

CEO is an acronym for Chief Executive Officer. The CEO is the principle individual responsible for the activities of a company.

CERTIFICATE OF DEPOSIT (CD) is a document written by a bank or other financial institution that is evidence of a deposit, with the issuer's promise to return the deposit plus earnings at a specified interest rate within a specified time period.

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 OBLIGATION is a bond issued by a city, without voter approval.

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.

CERTIFIED PAYROLL REPORT means the record that a contractor or subcontractor engaged on a public work is required to submit to an awarding government body with a statement of compliance as required pursuant to regulations for each month in which the contractor or subcontractor employs one or more workmen in connection with the public work.

CERTIFIED PUBLIC ACCOUNTANT (CPA) is an accountant licensed to practice public accounting.

CFD see CONTRACT FOR DIFFERENCE.

CFFA is Certified Financial Forensic Analyst.

CFM, in finance / accounting, means Certified In Financial Management.

CFO is an acronym for: a. Cash Flow From Operations; or, b. 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.

CFO to DEBT see CASH FLOW / CURRENT PORTION OF LONG TERM DEBT.

C.G.A. means Certified General Accountant.

CHAIRPERSON OF THE BOARD is the head of the board of directors of a corporation, and generally considered as head of the firm.

CHANNEL COSTING is the fulfillment cost information pertaining to distribution channels.

CHARGEBACK, in the credit industry, occurs when a credit card processor "charges back" to the merchant the cost of returned items or incorrect orders that the customer claims were made to his or her credit card.

CHARGE OFF see BAD DEBT.

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.

CHARTER is the document of corporation organization.

CHARTERED ACCOUNTANT (CA) is a British accountant who is a member of the Institute of Chartered Accountants. They work in many areas of business and the public sector, in roles ranging from sole practitioner to chief

executive of a multinational company. In public practice firms, they provide professional services to a wide range of fee paying clients from private individuals to large commercial and public sector organizations, including banks. The seservices include audit/assurance, accountancy, tax, business advisory, management consultancy, systems and IT,corporate finance, corporate recovery and forensic accounting. In commerce/industry and the public sector, they work in a variety of roles including fund management, venture capital and equity analysis, as well as financial management and financial reporting roles.

CHARTERED FINANCIAL CONSULTANT (ChFC) is a financial planning designation for the insurance industry. ChFCs must meet experience requirements and pass exams covering finance and investing. They must have at least three years of experience in the financial industry, and have studied and passed an examination on the fundamentals of financial planning, including income tax, insurance, investment and estate planning.

CHART OF ACCOUNTS is a list of ledger account names and associated numbers arranged in the order in which they normally appear in the financial statements. The Chart of Accounts are customarily arranged in the following order: Assets, Liabilities, Owners' Equity (Stockholders' Equity for a corporation), Revenue, and Expenses.

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.

CHECK is a draft drawn against a bank, payable upon demand to the person/entity named upon the draft.

CHECK BOOK see CHECK REGISTER.

CHECK REGISTER is the journal for recording payments by check.

CHEQUE see CHECK.

CHEQUE BOOK see CHECK REGISTER.

CHIEF ACCOUNTING OFFICER see CFO.

CHURN RATE is the percentage of customers (e.g., cellular telephone subscribers) that cancels their service per month.

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.

CIP could be Capital Improvement Plan, Capital Improvement Program, Capital Investment Program, or Capital Investment Proposal(s).

CIRCA means about or approximately. It is used before a year, e.g. circa 2000.

CK is Check.

CLAIM, in health care, is an itemized statement of healthcare services and their costs provided by a hospital, physician's office, or other provider facility. Claims are submitted to the insurer or managed care plan by either the plan member or the provider for payment of the costs incurred. In general law, a claim is: 1) to make a demand for money, for property, or for enforcement of a right provided by law. 2) the making of a demand (asserting a claim) for money due, for property, from damages or for enforcement of a right. If such a demand is not honored, it may result in a lawsuit. In order to enforce a right against a government agency (ranging for damages from a negligent bus driver to a shortage in payroll) a claim must be filed first. If rejected or ignored by the government, a lawsuit may be filed.

CLAIMS OUTSTANDING, in general, is the difference between claims against assets (liabilities) and claims settled/paid. Within the insurance industry it would be the difference between insurance claims filed and claims settled/paid.

CLASSIFICATION, generally, is the act of distributing things into classes or categories of the same type. In accounting, there are many ways to classify information, e.g. assets, liabilities or equity and the many subsets to those three classifications.

CLEARANCE LETTER is a documented certification from a recognized authority that the cleared entity has satisfied certain requirements, payments, actions, etc.

CLEARED ITEMS are accounts payable documents which have been paid.

CLEARING ACCOUNT, in banking, is a bank account used by a mortgage servicing company for the temporary, short-term deposit of mortgage payments that have been collected and are either awaiting transmittal to investors who bought the mortgages or awaiting deposit in escrow accounts. See CASH CLEARING ACCOUNT.

CLIENT is someone who pays for goods or services.

CLOSE is 1. The planned termination of accounting ledger activity with the resultant consolidation within a business, i.e. monthly, quarterly or annual; 2.The final half-hour of a securities trading session; 3. The price of the last transaction for a given security at the end of a given trading session. also called closing price; or, 4. To consummate a sale, contract or ownership transfer.

CLOSELY HELD is a description of a corporation whose voting stock is owned by a very small number of shareholders.

CLOSING ACCOUNT is the determining the balance of an account and posting an entry to offset such balance.

CLOSING DATE is the date the purchase of the asset becomes final and you, the new owner, obtain title.

CLOSING ENTRY is a journal entry at the end of a period to transfer the net effect of revenue and expense items from the income statement to owners' equity.

C.M.A. means Certified Management Accountant.

CMI see COST MANAGEMENT INDEX.

CMO see COLLATERIALIZED MORTGAGE OBLIGATION.

CNF is Cost and Freight

COA, in accounting, means Chart Of Accounts or Cost of Acquisition.

COD is Cash On Delivery; which is exactly what it means.

COC see COST OF CONTROL.

CODING, in accounting, is the assignation of the proper account code to invoices.

COE see COST OF EQUITY.

COGM is Cost Of Goods Manufactured. See Cost of Goods Sold.

COGNOVIT NOTE is a note in which the maker acknowledges the debt and authorizes the entry of judgment against him or her without notice or a hearing : a note containing a confession of judgment. This type of note is not valid in many states.

COGAS is Cost Of Goods Available for Sale. See Cost of Goods Sold.

COGS see COST OF GOODS SOLD

COGS (COST OF GOODS) RATIO = COGS / Total Sales.

COHORT SURVIVAL METHOD, in academia, utilizes historic enrollment data and birth records to estimate future enrollments.

COLLAR is the simultaneous purchase of an interest rate cap and sale of an interest rate floor on the same index for the same maturity and notional principal amount.

COLLATERAL is assets used as security for the extension of a loan.

COLLATERALIZED MORTGAGE OBLIGATION (CMO) or, since 1986, as a Real Estate Mortgage Investment Conduit (REMIC). CMOs and REMICs (terms which are often used interchangeably) are similar types of securities which allow cash flows to be directed so that different classes of securities with different maturities and coupons can be created. They may be collateralized by mortgage loans as well as securitized pools of loans.

COLLATERAL NOTE is a note secured by collateral. Same as secured note.

COLLECTIBLE is an amount subject to or requiring payment especially as specified, e.g. a collectible bill.

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 (Period End) is used to appraise accounts receivable (AR). This ratio measures the length of time it takes to convert your average sales into cash. This measurement defines the relationship between accounts receivable and cash flow. A longer average collection period requires a higher investment in accounts receivable. A higher investment in accounts receivable means less cash is available to cover cash outflows, such as paying bills. **NOTE:** Comparing the two **COLLECTION PERIOD** ratios (Period Average and Period End) suggests the direction in

which AR collections are moving, thereby giving an indication as to potential impacts to cash flow.

COLLECTION PERIOD (Period Average), also known as Days Sales Outstanding, is used to appraise accounts receivable (AR). This ratio measures the length of time it takes to convert your average sales into cash. This measurement defines the relationship between accounts receivable and cash flow. A longer average collection period requires a higher investment in accounts receivable. A higher investment in accounts receivable means less cash is available to cover cash outflows, such as paying bills. **NOTE:** Comparing the two **COLLECTION PERIOD** ratios (Period Average and Period End) suggests the direction in which AR collections are moving, thereby giving an indication as to potential impacts to cash flow.

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.

COMBINED FINANCIAL STATEMENT is a financial statement that merges the assets, liabilities, net worth, and operating figures of two or more affiliated companies. A combined statement is distinguished from a consolidated financial statement of a company and subsidiaries, which must reconcile investment and capital accounts.

COMFORT LETTERS see KEEP-WELL AGREEMENTS.

COMMANDER THEORY holds that the goals of the managers of the entity are as equally important as the stockholders. The theory assumes that the "commander's" view will transpose the view of the investor.

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 INVOICE, generally, is the seller's bill of sale for the goods sold, specifying type of goods, quantity and price of each type and terms of sale. In import/export, it represents a complete record of the transaction

between exporter and importer with regard to the goods sold. Also reports the content of the shipment and serves as the basis for all other documents about the shipment.

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.

COMMISSION is remuneration proportional to sales volume.

COMMITMENT is the act of standing behind a policy whose value ends when the policy is concluded. For example: " We made a commitment to do this".

COMMITMENT BASED ACCOUNTING is where spending controls are enacted that ensures that no budget executor can exceed his annual appropriation.

COMMITTED COSTS are costs, usually fixed costs, which the management of an organization has a long-term responsibility to pay. Examples include rent on a long-term lease and depreciation on an asset with an extended life.

COMMODITY is an article of commerce or product that can be used for commerce. In a narrower sense, commodity is product traded on an authorized commodity exchange. Some types of commodities: agricultural products, metals, petroleum, foreign currencies, financial instruments and indices, etc.

COMMON EQUITY is the result of subtracting redeemable and non-redeemable preferred stock from total equity.

COMMON LAW is an unwritten body of law based on general custom in England; it is used to some extent in the United States.

COMMON SIZE ANALYSIS, as used in vertical analysis of financial statements, an item is used as a base value and all other accounts in the financial statement are compared to this base value. On the balance sheet, total assets equal 100% and each asset is stated as a percentage of total assets. Similarly, total liabilities and stockholder's equity are assigned 100%, with a given liability or equity account stated as a percentage of total liabilities and stockholder's equity. On the income statement, 100% is assigned to net sales, with all revenue and expense accounts then related to it in percentages. See COMMON SIZE PERCENTAGES.

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 VentureLine 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 VentureLine uses industry data based upon the SIC Code of that particular listing (when available).

COMMON-SIZE STATEMENT see COMMON SIZE ANALYSIS.

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.

COMPANY is an organized group of people to perform an activity, business or industrial enterprise.

COMPANY TAX see CORPORATION TAX.

COMPANY KIT, normally, is a for sale commercially packaged self-instruction product containing written instructions, forms, software (sometimes), for establishing an enterprise.

COMPANY LIMITED BY GUARANTEE is where the liabilities of the members will be restricted to the amount each agrees to contribute to the assets of the company in the event of dissolution or liquidation.

COMPANY LIMITED BY SHARES is where the members personal liabilities are limited to the par value of their shares. a company limited by guarantee.

COMPARABILITY is the quality or state of being similar or alike.

COMPARATIVE STATEMENT is a form of financial-statement presentation in which current period results and positions are presented with corresponding figures for previous periods.

COMPENSATING BALANCES are the funds a business might be required to keep in a deposit or reserve account to help offset what the bank perceives as risk. The lender might require that an amount based on the business' average account balance or a certain percentage of the face value of the loan be maintained in a deposit account.

COMPENSATING ERROR is the name given to the situation where one mistake cancels out the effect of a second mistake.

COMPETITIVE PRICING generally is where firms must be able to offer the best price in the market and meet price erosion without compromising quality. This is normally met whenever a firm finds acceptable a prices-production combination such that: a. At these prices, there is no other production plan yielding higher profits and using fewer capital goods; namely, firms behave as constrained profit maximizers at given prices; and, b. There is no price vector satisfying "a." with higher prices for capital goods. In other words, the prices of capital goods are maximal within those satisfying constrained profit maximization

COMPILATION is the presentation of financial statement information by the entity without the accountant's assurance as to conformity with Generally

Accepted Accounting Principles (GAAP). In performing this accounting service, the accountant must conform to the AICPA Statements on Standards for Accounting and Review Services (SSARS).

COMPLETED CONTRACT METHOD OF ACCOUNTING is a method of revenue recognition for long-term contracts (i.e., contract which span more than one accounting period) whereby the total contract revenue and related cost of performance are recognized in the period in which the contract is completed. This method stands in contrast to the percentage-of-completion method of accounting and is most often used when significant uncertainty exists with respect to the total cost of performing the contract and, accordingly, the ultimate amount of profit to be recognized thereon.

COMPLIANCE AUDIT is the review of financial records to determine whether the entity is complying with specific procedures or rules.

COMPLIANCE PANEL is a multi-member committee chartered to investigate conformance to laws, rules or regulations. On many occasions they may be empowered by government agencies to make rulings as to compliance or non-compliance of any entity under their perusal.

COMP0SITE DEPRECIATION is the grouping of similar assets or dissimilar assets within the same class together for the purpose of computing a single depreciation rate to be applied to all assets within the group.

COMPOSITE FINANCIAL STATEMENT is an average or index of financial statements of multiple accounting periods or companies, e.g., industry averages.

COMPOUND ANNUAL GROWTH RATE (CAGR) is the year over year growth rate applied to an investment or other part of a company's activities over a multiple-year period. The formula for calculating CAGR is (Current Value/Base Value) ^ (1/# of years) - 1.

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

COMPOUND INTEREST PRINCIPLE is where the interest is computed on principal plus interest earned in previous periods.

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

COMPREHENSIVE INCOME is change in equity (net assets) of an entity during a period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period, except those resulting from investments by owners and distributions to owners.

COMPTROLLER is the misspelling of the word CONTROLLER caused by confusion in the root of the word in French and Latin. Comptroller is sometimes used within titles in the government, e.g. Comptroller of the Currency.

COMPULSORY LIQUIDATION is the winding-up of a company by a court. A petition must be presented both at the court and the registered office of the company. Those by whom it may be presented include: the company, the directors, a creditor, an official receiver, and the Secretary of State for Trade and Industry. The grounds on which a company may be wound up by the court include: a special resolution of the company that it be wound up by the court; that the company is unable to pay its debts; that the number of members is reduced below two; or that the court is of the opinion that it would be just and equitable for the company to be wound up. The court may appoint a provisional liquidator after the winding-up petition has been presented; it may also appoint a special manager to manage the company's property. On the grant of the order for winding-up, the official receiver becomes the liquidator and continues in office until some other person is appointed, either by the creditors or the members.

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.

CONDUCIVE is tending to bring about or being partly responsible for, e.g. current working conditions may not be conducive to productivity.

CONDUIT is a primary means by which something is transmitted,

CONDUIT DEBT is issued by a state agency or public corporation on behalf of borrowers which include businesses, health care institutions, private higher education institutions, local governments, and qualified individuals (loans for higher education and housing purposes). No State credit support is provided.

CONGLOMERATE is a group of diverse companies under common ownership and run as a single organization.

CONSERVATISM PRINCIPLE provides that accounting for a business should be fair and reasonable. Accountants are required in their work to make evaluations and estimates, to deliver opinions, and to select procedures. They should do so in a way that neither overstates nor understates the affairs of the business or the results of operation.

CONSERVATIVE INVESTOR, dependent upon the degree of conservatism, is one that protects and preserves their principal above consideration of capital gains to the point that in the extreme they can be described as being risk averse.

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.

CONSIGNMENT STOCK is vendor supplied stock that is only paid for when it is used. Consignment stock should change nothing except cash flow.

Holding any more stock than is necessary is always inefficient whether it is consignment stock or not.

CONSISTENCY is using the same accounting procedures by an accounting entity from period to period. That means using similar measurement concepts and procedures for related items within the company's financial statements for one period.

CONSISTENCY PRINCIPLE requires accountants to apply the same methods and procedures from period to period. When they change a method from one period to another they must explain the change clearly on the financial statements.

CONSOLIDATED CAPITAL is the value of all money and other assets, on a consolidated basis, used directly in business operations.

CONSOLIDATED ENTITY is a user-defined combination of several consolidation units, grouped together for consolidation and reporting purposes.

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

CONSOLIDATED NEXUS is a consolidation of a connected series or group (usually contracts).

CONSOLIDATION is similar to refinancing, but there is no loan fee. It simplifies loan repayment by combining several types of federal education loans into one new loan. (In the case of Direct Loan consolidation, the interest rate may be lower than one or more of the underlying loans.).

CONSORTIA see CONSORTIUM.

CONSORTIUM is an association of companies for some definite purpose.

CONSTANT DOLLAR is when the dollar amount is adjusted for inflation.

CONSTRAINT is a limiting factor to business activity.

CONSTRUCTION IN PROGRESS is capital assets under construction or development that have not yet been placed into service, such as a building or parking lot. Capital assets are not subject to depreciation while in a construction in progress status.

CONSTRUCTIVE FRAUD is an act, statement, or omission which operates as a fraud, although perhaps it was not intended to be such.

CONSTRUCT OF UTILITY THEORY is a scientific calculation that has an underlying concept of utility in that it is used to rank a series of alternatives and, in the case of a simple choice, identify the single alternative, which has higher utility, or out ranks, all other alternatives. The primary implication of this ranking or ordering of alternatives is that there is no absolute reference, zero point, for utility values. Thus, the only valuation that is important is the difference in utility between pairs of alternatives; particularly whether that difference is positive or negative. Any function that produces the same preference orderings can serve as a utility function and will give the same predictions of choice, regardless of the numerical values of the utilities assigned to individual alternatives. It also follows that utility functions, which result in the same order among alternatives, are equivalent.

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

CONSUMABLE is a resource attribute representing a type of capacity. A resource with consumable capacity can have its capacity value permanently altered as a result of being tasked, e.g. chemicals in a manufacturing process or office supplies.

CONSUMER is an individual who purchases, uses, maintains, and disposes of products and services.

CONSUMER PRICE INDEX (CPI) is the measure of change in consumer prices as determined by a monthly survey by the U.S. Bureau of Labor Statistics. Among the CPI components are the costs of food, housing, transportation, and electricity (i.e., the average cost of a "basket" of goods and services). Also known as the cost-of-living index.

CONSUMMATE is to bring to completion or fruition; conclude, e.g., consummate a business transaction.

CONSUMPTION SMOOTHING is aimed at protecting consumption patterns from the impact of shocks, and can take effect either before or after their occurrence. Post-shock responses include modifying consumption, raising income by mobilizing labor or selling assets, drawing on informal or formal sources of savings, or activating claims on informal insurance mechanisms.

CONTINENTAL MODEL is an accounting model. There are other accounting systems which differ from the U.S. accounting model. U.S. GAAP and FASB standards are not the only accounting principles used internationally; for example, many countries reverse the U.S. debit and credit system. Many countries with high rates of inflation account for inflation in financial reports much more than the U.S. does. Also, for any company operating internationally there is the currency exchange translation problem when consolidating financial statements.

CONTINGENCY BUDGET is the amount of money required to implement a contingency plan. If an authorized entity approves a contingency plan, it would normally set aside a contingency budget, which would only be called upon if the contingency plan had to be implemented.

CONTINGENCY PLAN is a plan that provides an outline of decisions and measures to be taken if defined circumstances, outside the control of the affected organization, should occur.

CONTINGENT is a result that is determined by conditions or circumstances not yet established.

CONTINGENT ASSET is a possible asset from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise.

CONTINGENT LIABILITY is: (a) A possible obligation from past events that will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise; or (b) A present obligation from past events but is not recognized because (i) it is not probable that an outflow of resources will be required to settle the obligation; or (ii) the obligation cannot be measured reliably. Some examples: in corporate reports are pending lawsuits, judgments under appeal, disputed claims, and the like, representing potential financial liability.

CONTINUITY ASSUMPTION see GOING CONCERN CONCEPT.

CONTINUOUS BUDGET is a budget that rolls ahead each time period (e.g., month) without regard to the fiscal year, i.e., a twelve-month or other periodic forecast is always available; also called a ROLL FORWARD BUDGET.

CONTINUOUS INVENTORY see PERPETUAL INVENTORY.

CONTRA ACCOUNT 1. is the reduction to the gross cost of an asset to arrive at the net cost; also known as a *valuation allowance*; e.g., accumulated depreciation is a contra account to the original cost of a fixed asset to arrive at the book value; or, 2. reduction of a liability to arrive at its carrying value; e.g., bond discount, which is a reduction of bonds payable.

CONTRA REVENUE ACCOUNT is an account that is offset against a revenue account on the income statement.

CONTRACT ALLOWANCE is the limit set within an agreement as to what is the maximum allowed of any given item covered under contract, e.g., home construction with a builder may have allowances or "limits" set in your contract that tell you how much the price of your house "allows" for things such as floor coverings, countertops, and cabinets.

CONTRACT COSTING is mainly associated with civil engineering works, although sometimes also with the manufacture of a major engineering structure over a considerable time (for example, a contract to manufacture a turbine generator).

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

CONTRACT FOR DIFFERENCE (CFD) is an agreement to exchange the difference between the opening and closing price of the position under the contract on various financial instruments. CFD trading is an effective and convenient speculative instrument for trading shares, indices, futures and commodities. Contracts for differences allow investors to take long or short positions, and unlike futures contracts have no fixed expiry date or contract size. Trades are conducted on a leveraged basis with margins typically ranging from 1% to 30% of the notional value for CFDs on leading equities.

CONTRACT LAW is that body of law which regulates the enforcement of contracts. Contract law has its origins thousands of years ago as the early civilizations began to trade with each other, a legal system was created to support and to facilitate that trade. The English and French developed similar contract law systems, both referring extensively to old Roman contract law principles such as consensus ad idem or caveat emptor. There are some minor differences on points of detail such as the English law requirement that every contract contain consideration. More and more states are changing

their laws to eliminate consideration as a prerequisite to a valid contract thus contributing to the uniformity of law. Contract law is the basis of all commercial dealings from buying a bus ticket to trading on the stock market.

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

CONTRACT RATE OF INTEREST is the interest rate specified in a contract.

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

CONTRACTUAL ALLOWANCE, in healthcare, is the difference between what hospitals bill and what they receive in payment from third party payers, most commonly government programs; also known as contractual adjustment.

CONTRA ENTRY, in accounting, is a ledger entry which is offset by an opposite entry, either a debit or credit.

CONTRIBUTED ASSETS are those assets, including real property assets, that are owned, leased or licensed by the contributing entity. Such contributions are normally associated with the contributing entity receiving equity interest (in a commercial exchange) or tax relief (in a charitable donation) in recognition of the value for those contributed assets.

CONTRIBUTED CAPITAL see PAID-IN-CAPITAL.

CONTRIBUTED SURPLUS is money a company receives by selling shares above par value or their stated value, or from government donation of land to the company, etc. Contributed Surplus is a balance sheet item that is part of the shareholders' equity.

CONTRIBUTION see CONTRIBUTION MARGIN.

CONTRIBUTION MARGIN (CM) is the difference between sales and the variable costs of the product or service, also called marginal income. It is the amount of money available to cover fixed costs and generate profits.

CONTRIBUTION MARGIN ANALYSIS is a technique used in brand marketing and product management to help a company decide what product(s) to add to its product portfolio. The manager asks what will happen to profits if a new product is added or an existing product is discontinued. Calculations take into account additional revenues, additional costs, effects on other products in the portfolio (referred to as cannibalization), and competitors' reactions.

CONTRIBUTION MARGIN RATIO is the computation showing CONTRIBUTION MARGIN as a percentage of sales.

CONTRIBUTION/SALES RATIO (C/S RATIO) is a tool used in profit management. It is important to establish the C/S RATIO: C/S ratio = (Sales revenue – Variable cost of sales)/Sales revenue x 100. If a company achieves a high average marginal profit ratio of say, 40%, it does not mean that it will achieve high profits. The eventual profit will be dependent on the level of fixed costs within the organization.

CONTROL is the process of directing operations to achieve a goal.

CONTROLLABILITY, COST is the financial policy of controlling, limiting or curbing the cost of materials, labor, and overhead.

CONTROL ACCOUNT is a summary account in the General Ledger that is supported by detailed individual accounts in a subsidiary ledger. See CREDITORS CONTROL ACCOUNT, DEBTORS CONTROL ACCOUNT, and STOCK CONTROL ACCOUNT.

CONTROLLABLE COST see CONTROLLABLE EXPENSE.

CONTROLLABLE EXPENSE expenses that can be controlled or restrained by management. Some of the costs of doing business can be postponed or spread out over a longer period of time (e.g., personnel costs, travel & entertainment, marketing expense).

CONTROLLABLE MARGIN technically is the excess of contribution margin over controllable fixed costs. Managerially it is that margin that you can reasonably expect from a process that is balanced and controlled. Controllable margin is considered to be the best measure of a manager's performance in efforts to control revenues and costs.

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

CONTROLLERSHIP is the position of controller. See CONTROLLER.

CONVENTION is an agreement, principle or statement expressed or implied that is used to solve given types of problems. Conventions allow a standardized approach to problem solving and behavior in certain situations. For example, placing debits on the right and credits on the left of an account is termed an accounting convention.

CONVERSION COSTS is Direct Labor + Manufacturing Overhead.

CONVERSION DATE, dependent upon usage, there are likely many definitions varying within the industries in which the term is being used. Basically, it is a date on which an asset is converted into a similarly valued but different asset.

CONVERTIBLE is a corporate security (usually bonds, notes or preferred stock) that can be exchanged for another form of security (usually common stock).

CONVERTIBLE BOND is a bond that can be converted to other securities under certain conditions.

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

CONVERTIBLE DEBENTURE is any type of debenture that can be converted into some other security, e.g. conversion of a convertible bond into stock.

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.

CONVERTIBLE NOTE see CONVERTIBLE DEBT.

CONVERTIBLE PREFERRED STOCK is preferred stock which can be converted into common stock at the option of the holder of the preferred 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.

COOKIE JAR RESERVES is an overly aggressive accrual of operating expenses and the creation of liability accounts done in an effort to reduce future year operating expenses.

COOKING THE BOOKS is when a company fraudulently misrepresents the financial condition of a company by providing false or misleading information.

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

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 BUSINESS is the sector(s) of business activity that is the reason or purpose for being, e.g. providing communications services within a telephone

company would be considered core, while real estate holdings and the securities investment portfolio will likely be considered non-core business activities.

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.

CORPORATE GOVERNANCE is the system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as, the board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which the company objectives are set, and the means of attaining those objectives and monitoring performance.

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

CORPORATION TAX refers to direct taxes charged by various jurisdictions on the profits made by companies or associations. As a general principle, this varies substantially between jurisdictions. In particular allowances for capital expenditure and the amount of interest payments that can be deducted from gross profits when working out the tax liability vary substantially. Also, tax rates may vary depending on whether profits have been distributed to shareholders or not.

CORPUS is often confused and misunderstood. The literal meaning of the term corpus is the main part/organ of a body. The term corpus also denotes the sum and substance of an issue/entity.

CORPUS FUND is the capital of the organization; the funds generated and kept for the existence and sustenance of the organization. Normally a corpus

fund denotes a permanent fund kept for the basic expenditures needed for the administration and survival of the organization.

CORRECTING ENTRY, a type of ADJUSTING ENTRY, is required at the end of an accounting period if a mistake was made in the accounting records during the period. See REVERSING ENTRY.

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

COST is the amount of money that must be paid to take ownership of something; expense or purchase price.

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

COST ACCUMULATION METHODS are the various ways in which the entries in a set of cost accounts may be aggregated to provide different perspectives on the information.

COST ALLOCATION is the assignment to each of several particular cost-centers of an equitable proportion of the costs of activities that serve all of them, i.e. shared cost pools.

COST ASSIGNMENT involves assigning costs of an account to the accounts that are responsible or accountable for incurring the cost. For example, the cost of issuing purchase orders is allocated to the various objects procured. The cost assignment is done through assignment paths and cost drivers. The assignment path identifies the source account (the account whose cost is being assigned—"Issue Purchase Orders" in the above example) and destination accounts (the accounts to which the costs are being allocated—the various cost objects procured by issuing purchase orders in the above example). The cost driver identifies the measure or rationale on the basis of which the assignment needs to be done—that is, whether the costs of issuing

purchase orders need to be assigned to various cost objects evenly, based on some defined percentage values, or based on some criterion, like the number of purchase orders of each cost object issued. Defining the cost drivers and assignment paths (i.e., source and destination accounts) enable proper assignment and accounting of the various costs incurred in the organization.

COST AVOIDANCE is an action taken in the present designed to decrease costs in the future.

COST BASIS, in securities, is the purchase price after commissions or other expenses. It is used to calculate capital gains or losses when the security is eventually sold.

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 CEILING, in project management, is the sum of the Project Cost Target plus the project's Contingencies cost allowances.

COST CENTER is a non-revenue-producing element of an organization, where costs are separately figured and allocated, and for which someone has formal organizational responsibility.

COST CONTROL is the process of controlling the cost of a project within a predetermined sum throughout its various stages from inception to completion.

COST DRIVER is any activity or series of activities that takes place within an organization and causes costs to be incurred. Cost drivers are used in a system of activity-based costing to charge costs to products or services. Cost drivers are applied to cost pools, which relate to common activities. Cost drivers are not restricted to departments or sections, as more than one activity may be identified within a department.

COST EFFECTIVE is when a judgement is made that something is economical in terms of the goods or services received for the money spent.

COST ELEMENT, in cost accounting, is the lowest level component of a resource activity, or cost object.

COST IMPLOSION is a cost rollup using the quantities and costs of low-level items through a where used chain to determine total cost of the finished item. See COST ROLLUP.

COST/INCOME RATIO is total expenses divided by the sum of total income.

COST IN EXCESS OF BILLINGS, in percentage of completion method, is when the billings on uncompleted contracts are less than the income earned to date. These underbillings result in increased assets. Conversely, where billings are greater than the income earned on uncompleted contracts, a liability, billings in excess of costs, results.

COST MANAGEMENT INDEX (CMI) is a method for determining cost management benchmarks for public companies using published financial data. It is used to establish realistic cost reduction goals by conducting a definitive comparison of single company performance against others in that industry combined with a thorough internal expenditure analysis. This provides realistic parameters for cost cutting objectives as well as insight into which categories of products and services to target. The CMI equals cost of goods sold plus sales, general and administrative expenses, divided by your operating revenue (CMI = (COGS+SG&A)/Revenue). It is expressed as a percentage.

COST OBJECT is anything for which cost data is desired, e.g., products, product lines, customers, jobs, and organizational sub-units such as departments or divisions of a company.

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 CONTROL (COC) is the amount paid by a holding company, sometimes at a premium, for shares in its subsidiary company over and above the value they would command as an investment, in recognition of the particular benefit, which the company gains through control.

COST OF DEBT is interest rate times 1 minus the marginal tax rate (because interest is a tax deduction). An increase in the tax rate decreases the cost of debt.

COST OF EQUITY (COE) is the minimum rate of return a firm must offer owners to compensate for waiting for their returns, and for bearing risk. It is calculated: COE = Dividends per Share (for next year) / Current Market Value of Stock + Growth Rate of Dividends.

COST OF GOODS SOLD (COGS) is a figure representing the cost of buying raw material and producing finished goods. Included are precise factors, i.e. material and factory labor; as well as others that are variable, such as factory overhead.

COST OF GOODS SOLD BUDGET decomposes, or breaks down, the components of a business's cost of goods sold (in some cases referred to as the cost of revenues). This budget breaks out each separate factor underlying the cost of goods sold for a business. See OPERATING BUDGET.

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

COST OF MONEY is a form of indirect cost incurred by investing capital in facilities employed on government contracts.

COST OF REVENUE see COST OF GOODS SOLD.

COST OF SALES see COST OF GOODS SOLD.

COST OVERRUN is the amount by which an entity exceeds or expects to exceed the estimated cost to completion of: a. a product; b. a process; or, c. the final limitations of costs stipulated in a contract.

COST PER OUTCOME links the unit-level economics of an operation with the impact that the organization wishes to have. For example, a nonprofit that delivers meals to the elderly might measure its impact by the number of meals served. To arrive at its cost per outcome, therefore, it would divide the full cost of its meals program by the number of meals it serves.

COST PER OUTPUT see OBJECT COST.

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-PLUS is determining payment based on the actual cost of production or service provisioning plus an agreed-upon fee or rate of profit; for example, a cost-plus government contract.

COST PRINCIPLE is the principle where a company is obliged to record its fixed assets at their actual purchase price or production cost.

COST REDUCTION is actions taken in the present designed to decrease costs in the present. See COST AVOIDANCE.

COST ROLLUP is a determination of all cost elements within total cost. A cost rollup will normally but not always allow for the dissection of cost by material by a where used chain to the individual component, labor by operation and overheads applied. See COST IMPLOSION.

COST SPLIT is the breakdown of the costs associated with producing a product, providing a service, ... The makeup is dependent upon what costs

are being analyzed, e.g. in manufacturing a company would track the cost split between materials, direct labor, and production overhead.

COST SYNERGY is the savings in operating costs expected after two companies, who compliment each other's strengths, join.

COST-TO-COST METHOD, in construction contracts, is an estimate of completion in which the state of completion is the ratio of costs incurred as of a given date divided by the estimated total project cost. See also PERCENTAGE OF COMPLETION METHOD OF ACCOUNTING.

COST UNIT is a functional cost unit which establishes standard cost per workload element of activity, based on calculated activity ratios converted to cost ratios.

COST-VOLUME-PROFIT ANALYSIS (CVPA) examines the behavior of total revenue, total costs and profit as changes occur in the output level, selling price and variable costs per unit or fixed costs.

COUNTERBALANCE is a compensating equivalent or to oppose and mitigate the effects of something by contrary actions.

COUPON BOND pays the holder of the bond a fixed interest payment (a coupon payment) every year until the bond reaches maturity. It is named a coupon payment, because a bondholder had to obtain their interest payment by clipping a coupon off of a bond and send it to the bond issuer, the bond issuer then sent the bondholder the payment. This process is no longer necessary for most coupon bonds. Examples of coupon bonds: Treasury bonds, Treasury notes and corporate bonds.

COUPON RATE is the annual interest rate of a bond.

COVENANT is a clause in a contract that requires one party to do, or refrain from doing, certain things. It is usually a restriction on a borrower imposed by a lender.

COVERAGE OF FIXED CHARGES is computed by taking your net income, before taxes and fixed charges (debt repayment, long-term leases, preferred stock dividends etc.), and dividing by the amount of fixed charges. The resulting number shows your ability to meet your fixed obligations of all types — the higher the number, the better.

COVERAGE RATIO is a measure of a corporation's ability to meet a certain type of expense. In general, a high coverage ratio indicates a better ability to meet the expense in question. Examples: dividend coverage, fixed-charge coverage, interest coverage, preferred dividend coverage.

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.

CPA is Certified Public Accountant, Cost Per Action, or Critical Path Analysis.

CPFF is Cost Plus Fixed Fee.

CPI see CONSUMER PRICE INDEX.

CPLTD is Current Portion of Long-Term Debt.

CPT is Cost Per Thousand.

CR, in accounting, is an acronym for Credit Record. See CREDIT RECORD.

CRAR see CAPITAL TO RISK ASSET RATIO.

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; in general, it is an arrangement for deferred payment for goods and services.

CREDIT CARD is a card authorizing purchases on credit at a predetermined interest rate and payment conditions.

CREDIT CARD RECEIPTS is sales revenue where payment has been made through the use of recognized/authorized credit cards versus cash or check receipts/payments.

CREDIT CONTROL is policies and procedures aimed at controlling the granting of credit.

CREDIT LINE is the maximum credit that a customer is allowed.

CREDIT LOSSES PROVISION see PROVISION FOR CREDIT LOSSES.

CREDIT MEMO is a document used to issue a vendor credit.

CREDIT NOTES are issued to indicate a positive action within an account. Credit notes are issued for reasons such as overpayment, duplicate payment, damaged goods, returned merchandise, etc.

CREDITOR DAYS is the number of days it takes the company to pay trade creditors. This ratio provides an indication of the amount of credit given to the business by its suppliers. The formula is trade creditors divided by sales multiplied by 365 days.

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

CREDITORS CONTROL ACCOUNT reflects the total amount owed to all the individual creditors. The balance of the creditor□s control account must equal the total of the creditors list, which represents the amounts owed by the individual creditors obtained from the individual balances in the various subsidiary ledger accounts for each creditor. This subsidiary ledger is known as the creditors' ledger.

CREDITORS LEDGER see LEDGER.

CREDITORS TURNOVER = Average creditors / (Credit Sales / 365).

CREDIT RECORD (CR) is an entry in a double-entry bookkeeping system recording an increase in a liability; an owner's equity item or revenue; or a decrease in an asset or an expense. Credit entries are conventionally made on the right-hand side of T accounts.

CREDIT RISK is the risk of loss from an unfulfilled payment or delivery, i.e. the possibility that a borrower will default on any monies that are owed.

CREDIT SALES are merchandise or services sold on the promise to pay later.

CRITICAL ACCOUNTING ESTIMATE is when a company must make assumptions about matters that are " highly uncertain" when the company makes the accounting estimate and either of the following conditions would have a material effect on the company's financial condition, changes in financial condition or results of operations: 1. the company could reasonably have used a different estimate for the current period; or, 2.changes in the estimate are reasonably likely to occur from period to period in the future.

CRITICAL FEW see 80 - 20 RULE.

CROSS-ACCOUNTING is non-cash payment through the delivery of goods or services to satisfy a liability; a very common practice between subsidiaries of a company. See IN-KIND.

CROSS-AGED RECEIVABLE means all accounts receivable due from a Customer if more than 50% of the aggregate amount of all accounts receivable due from such Customer are aged more than 90 days.

CROSS-FOOTING is the addition of columns of figures in different ways to check the accuracy of the totals, e.g. vertically and horizontally deriving the same total in a spreadsheet.

CROWN CORPORATION is a corporation that has been established by a nation's government.

CRR see CASH RESERVE RATIO.

CRUT is an acronym for Charitable Remainder Unitrust.

C/S RATIO see CONTRIBUTION/SALES RATIO.

CTP is Certified Treasury Professional.

CUMULATIVE EARNINGS is the sum of all earnings over the time periods in question.

CUMULATIVE PREFERRED STOCK is preferred stock which gives holder a right to dividends if they have not been paid in a given year.

CURRENCY DENOMINATION see DENOMINATION.

CURRENCY MEASUREMENT is part of determining the "functional currency" that mainly influences sales prices for goods / services. It will often be the currency in which denominated and settled: a. of country whose competitive forces and regulations mainly determine sales prices for goods / services; b. that mainly influences labor, material and other costs of providing goods / services; or, as stated, c. will often be the currency in which transactions are denominated and settled.

CURRENCY TRANSLATION see FOREIGN CURRENCY TRANSLATION.

CURRENT ACCOUNT in a national economy it is a category in the balance of payments account that includes all transactions that either contribute to national income or involve the spending of national income.

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 CAPITAL see WORKING CAPITAL.

CURRENT CASH DEBT RATIO measures ability to pay current liabilities in given year with cash derived from operating activities. Calculated using net cash from operating activities divided by average current liabilities.

CURRENT COST is the cost which would be incurred for replacement of an asset.

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. Smaller firms carry proportionally higher level of current debt to total debt than larger firms.

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 PORTION OF LONG-TERM DEBT is only that portion of long-term obligations (payable in more than one year) which are owed and payable in the current year; e.g. the portion of a five-year loan or lease that is due in the current calendar/fiscal year.

CURRENT RATIO, a comparison of current assets to current liabilities, is a commonly used measure of short-run solvency, i.e., the immediate ability of a firm to pay its current debts as they come due. Current Ratio is particularly important to a company thinking of borrowing money or getting credit from their suppliers. Potential creditors use this ratio to measure a company's liquidity or ability to pay off short-term debts. Though acceptable ratios may vary from industry to industry below 1.00 is not atypical for high quality companies with easy access to capital markets to finance unexpected cash requirements. Smaller companies, however, should have higher current ratios to meet unexpected cash requirements. The rule of thumb Current Ratio for small companies is 2:1, indicating the need for a level of safety in

the ability to cover unforeseen cash needs from current assets. Current Ratio is best compared to the industry.

CURTAIL is to terminate or abbreviate before an intended or proper end or its full extent, e.g. the national product launch was curtailed due to lack of acceptance in the rural market place.

CUSTODIAN is an entity entrusted with guarding and keeping property or records.

CUSTODIAN BANK is the bank that acts a custodian to a mutual fund. Does not manage anything, just holds the cash and securities and does the clerical.

CUSTOMER ACQUISITION COST is calculated by dividing total acquisition expenses by total new customers. However, there are different opinions on what constitutes an acquisition expense, e.g. rebates and special discounts do not represent an actual cash outlay, yet they have an impact on cash (and, presumably, on the customer). There is no set standard, i.e. acquisition costs vary across industries. When acquisition data is available, it is best to try to determine if you are comparing apples to apples. This is not easy, as customer acquisition data is usually scarce and the methodology is often questionable.

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.

CUT-OFF RATE is the predetermined maximum rate and/or minimum rate at which the subject is still acceptable, but where a rate above the proscribed higher or below the proscribed lower rate is no longer acceptable.

CUT-OFF YIELD, in securities, is the yield at which or below which the bids are accepted.

CUT SCORE is a point on a score scale in which scores at or above the point are in a different category or classification than scores below the point (e.g. pass versus fail).

CVP see COST-VOLUME-PROFIT ANALYSIS.

CVPA see COST-VOLUME-PROFIT ANALYSIS.

CYCLE COUNT is a partial count of a single inventory location as opposed to a Complete Count, i.e., a complete count of a single inventory location. An organization should not wait to do a complete count; usually once a year. The best way to ensure that a minimum of 97% accuracy is maintained in inventory on an ongoing basis is to continually count your products. That is, count part of your inventory every day, and count each item several times per year. This process is called "cycle counting."

DAC, in accounting, is an acronym for Deferred Acquisition Costs.

DAIRY QUEEN ACCOUNTING is a figure of speech from the steel industry meaning that some people don't know if they are doing accounting for Dairy Queen or a steel mill.

DATA EVENT ANALYSIS is the examination of something which happens within the business environment which the company needs to know about and which must be recorded in the company memory, that is, the company files. A data event may be externally or internally generated and may occur through some action being taken or merely as a result of the passage of time. The occurrence of data events recorded in some manner. Data event analysis determines what information must be recorded such that the event can be recalled and acted upon. It must also determine how that event became known to the company; that is, what triggered the company awareness of the event?

DATA FIXATION, in behavioral accounting, is a compulsive preoccupation to focus only upon the numbers without looking beyond for the meaning behind the results themselves.

DATE DRAFT is a payment option draft that matures in a specified number of days after the date issued.

DATE OF RECORD is the date which determines which shareholders receive dividends.

DAY BOOK is a written record/ledger in which transactions have been recorded as they occurred.

DAYS CASH ON HAND is calculated: Cash/([operating expense - depreciation expense]/365).

DAYS' INVENTORY shows the average length of time items are in inventory, i.e., how many days a business could continue selling using only its existing inventory. The goal, in most cases, is to demonstrate efficiency through having a high turnover rate and therefore a low days' inventory. However, realize that this ratio can be unfavorable if either too high or too low. A company must balance the cost of carrying inventory with its unit and acquisition costs. The cost of carrying inventory can be 25% to 35%. These costs include warehousing, material handling, taxes, insurance, depreciation, interest and obsolescence.

DAYS PAYABLE OUTSTANDING (DPO) is an estimate of the length of time the company takes to pay its vendors after receiving inventory. If the firm receives favorable terms from suppliers, it has the net effect of providing the firm with free financing. If terms are reduced and the company is forced to pay at the time of receipt of goods, it reduces financing by the trade and increases the firm's working capital requirements. It is calculated: Days Payable Outstanding = 365 / Payables Turnover (Payables Turnover = Purchases / Payables).

DAYS SALES OUTSTANDING (DS0), also known as Collection Period (period average), is a financial indicator that shows both the age, in terms of

days, of a company's accounts receivable and the average time it takes to turn the receivables into cash. It is compared to company and industry averages, as well as company selling terms (e.g., Net 30) for determination of acceptability by the company. DSO is calculated: DSO = (Total Receivables/Total Credit Sales in the Period Analyzed) x Number of Days in the Period Analyzed. Note: Only credit sales are to be used. Cash sales are excluded.

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 is the Defense Contract Audit Agency.

DCR see Debt Coverage Ratio.

DDA, among others, can mean: Disability Discrimination Act (1995, UK), Dividend Disbursing Agent (finance), Demand Deposit Account, Direct Deposit Advance (Wells Fargo), Direct Deposit Advice, Deposit Demand Account, or Design Development Activity.

DEBENTURE is a corporate IOU that is not backed by the company's assets (unsecured) 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.

DEBIT CARD is a banking card enhanced with automated teller machine (ATM) and point-of-sale (POS) features so that it can be used at merchant locations. A debit card is linked to an individual's checking account, allowing funds to be withdrawn at the ATM and point-of-sale without writing a check. Each financial institution creates an identity for its debit card to customize the product and differentiate it in the market. Debit cards can also be called deposit access cards.

DEBIT MEMORANDUM can be either a) a form or document given by the bank to a depositor to notify that the depositor's balance is being decreased due to some event other than the payment of depositor originated check, e.g. bank service charges; or b) a form of document used by a seller to notify a buyer that the seller is debiting (increasing) the amount of the buyer's accounts payable due to errors or other factors requiring adjustments.

DEBIT NOTES are issued to indicate a short payment.

DEBIT RECORD (DR) is an entry in a double-entry bookkeeping system recording an increase in an asset or an expense, or a decrease in liability, or owner's equity item. Debit entries are conventionally made on the left-hand side of T accounts.

DEBT COVENANT is one of many terms used to describe rules governing the loans that a company has outstanding. Other related phrases would be "loan terms" "credit agreement," "loan agreement."

DEBT COVERAGE RATIO is the ratio between the net income of an investment and the amount of debt service of the investment: expressed as (NOI / DS = DCR), i.e. it is the relationship of net operating income divided by annual debt service.

DEBT FINANCING is raising money through selling bonds, notes, or mortgages or borrowing directly from financial institutions. You must repay borrowed money in full, usually in installments, with interest. A lender incurs risk and charges a corresponding rate of interest based on that risk. The lender usually assesses a variety of factors such as the strength of your business plan, management capabilities, financing, and your past personal credit history, to evaluate your company’s chances of success.

DEBT INSTRUMENT is a written promise to repay a debt. Examples: notes, bills, bonds, CDs, GICs, commercial paper, and banker's acceptances.

DEBTOR is the party against who one has a claim.

DEBTOR DAYS is a ratio used to work out how many days on average it takes a company to get paid for what it sells. It is calculated by dividing the figure for trade debtors shown in its accounts by its sales, and then multiplying by 365.

DEBTORS CONTROL ACCOUNT reflects the total amount owed by the all the individual debtors. The balance of the debtors control account must equal the total of the debtors list, which represents the amounts owed by the individual debtors obtained from the individual balances in the various subsidiary ledger accounts for each debtor. This subsidiary ledger is known as the debtors' ledger.

DEBTORS LEDGER see LEDGER.

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 because 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 Ratio is best compared to industry data to determine if a company is possibly over or under leveraged. The right level of debt for a business depends on many factors. Some advantages of higher debt levels are:

- The deductibility of interest from business expenses can provide tax advantages.
- Returns on equity can be higher.
- Debt can provide a suitable source of capital to start or expand a business.

Some disadvantages can be:

- Sufficient cash flow is required to service a higher debt load. The need for this cash flow can place pressure on a business if income streams are erratic.

- Susceptibility to interest rate increases.
- Directing cash flow to service debt may starve expenditure in other areas such as development which can be detrimental to overall survival of the business.

DEBT SECURITY is a security representing a loan given by an investor to an issuer. In return for the loan, the issuer promises to pay interest and to repay the debt on a specified date. Debt security issuers may include corporations, municipalities, the federal government, or a federal agency. See CONVERTIBLE and CONVERTIBLE DEBT.

DEBT SERVICE COVERAGE is the ratio of cash flow available to pay for debt to the total amount of debt payments to be made (interest and principal payments).

DEBT SERVICE RATIO is the measurement of debt payments to gross income.

DEBT TO EQUITY 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. Depending on the industry, different ratios are acceptable. The company should be compared to the industry, but, generally, a 3:1 ratio is a general benchmark. Should a company have debt-to-equity ratio that exceeds this number; it will be a major impediment to obtaining additional financing. If the ratio is suspect and you find the company's working capital, and current / quick ratios drastically low, this is a sign of *serious* financial weakness.

DEBT TO TOTAL ASSETS RATIO measures the percentage of assets financed by all terms of debt, includes both current and long term debt.

DECISION THEORY is a body of knowledge and related analytical techniques of different degrees of formality designed to help a decision maker choose among a set of alternatives in light of their possible consequences.

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.

DECRETION is a decrease. See also ACCRETION.

DEDICATED TRANSACTIONS, in securities, is a list all the transactions (including cash) for each portfolio together with any relevant fees and notes. And, not only can one monitor profit/loss but you can also chart the historical valuation of a portfolio, monitor the annualized rate of return, compare portfolio performance against indices or sectors and chart the performance of different constituents of a portfolio on a single chart.

DEDUCTION is the act of deducting; subtraction. It is an amount that is or may be deducted, e.g. tax deductions.

DEDUCTIVE ACCOUNTING THEORY (mathematical method) assumes that optimal accounting standards and reporting rules can be derived by deduction much in the way that Pythagoras derived the rule for measuring the hypotenuse of a triangle based upon square root of the summed squares of the other two sides (assuming one angle is a perfect 90-degree angle).

DEED OF TRUST see TRUST DEED.

DEFAULT, in finance, default is what occurs when a party is unwilling or unable to pay their debt obligations. This can occur with all debt obligations including bonds, debentures, mortgages, loans, and notes. Default can also occur with sovereign bonds, that is, governments can default on their payments to creditors. In corporate finance, a default is typically a prelude to bankruptcy. With most mortgages and loans the total amount owing becomes immediately payable on the first instance of a default of payment.

DEFEASANCE is the release of a debtor from the primary obligation for a debt. A legal defeasance could take place in absolute terms, i.e., the debt could cease to exist for anyone (by being forgiven or set aside), or the creditor could formally recognize that another party has taken over the primary obligation for the debt.

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.

DEFENSE INTERVAL see BASIC DEFENSE INTERVAL.

DEFERMENT see DEFERRED.

DEFERRAL see DEFERRED.

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 ANNUITY is an annuity in which the income payments/withdrawals begin at some future date

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 CREDITOR see DEFERRED INCOME.

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

DEFERRED EXPENDITURE is a expenditure for which payment has been made or a liability incurred but which is carried forward on the presumption that it will be of benefit over a subsequent period or periods. This is also referred to as deferred revenue expenditure.

DEFERRED EXPENSES see PREPAID EXPENSES.

DEFERRED INCOME is that income for which the cash has been collected by the company, but have yet to be "earned". For example, a customer pays their annual software license upfront on the 1st Jan. As the company financial year-end is 31st May, the company would only be able to record five months of the income as turnover in the profit and loss account. The rest would be accrued in the balance sheet as a "deferred" creditor.

DEFERRED MAINTENANCE is asset maintenance that was not performed when it should have been or was scheduled to be performed and was delayed until a future period, i.e. in most cases it is a nice way to say that the asset has not been kept up and is depreciating both in value and physically.

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 REVENUE see DEFERRED INCOME.

DEFERRED REVENUE EXPENDITURE see DEFERRED EXPENDITURE.

DEFERRED TAX ASSETS have an effect of decreasing future income tax payments, which indicates that they are prepaid income taxes and meet definition of assets. Whereas deferred tax liabilities have an effect of increasing future year's income tax payments, which indicates that they are accrued income taxes and meet definition of liabilities.

DEFERRED TAXES refers to all deferred taxes.

DEFERRED TAX LIABILITIES have an effect of increasing future year's income tax payments, which indicates that they are accrued income taxes and meet definition of liabilities. Whereas deferred tax assets have an effect of decreasing future income tax payments, which indicates that they are prepaid income taxes and meet definition of assets.

DEFICIT is a debit balance in the Retained Earnings account resulting from accumulated losses.

DEFICIT BUDGET is where the estimates of expenses are greater than estimates of revenue.

DEFICIT SPENDING is an excess of government expenditures over government revenue, resulting in a shortfall that must be financed through borrowing.

DEFINED CONTRIBUTION is a pension design that defines the amount of contributions, usually a percentage of salary. The benefits payable at retirement depend on factors such as future investment return and annuity rate at retirement. If a plan is registered for tax purposes, the maximum contribution amount (usually a percentage of earnings or income up to a dollar limit) is defined by tax regulations.

DEFLATION is a contraction of economic activity resulting in a decline of prices.

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

DELIVERY NOTE is a document, issued by the suppliers, which accompanies a delivery of goods, specifying their type and quantity.

DELIVERY ORDER is a document from the consignee, shipper, or owner of freight ordering the release of freight to another party.

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.

DEMAND DEPOSIT is a bank deposit f rom which withdrawals may be made without notice.

DEMAND DRAFT, also known as sight draft, is a draft payable on demand from the date of issue, e.g. a payroll check.

DEMAND NOTE is a note payable on demand from the person who is owed the money.

DEMAT ACCOUNT is an account offered by a bank in its capacity as a depository participant. The demat account reduces brokerage charges, makes pledging/hypothecation of shares easier, enables quick ownership of securities on settlement resulting in increased liquidity, avoids confusion in the ownership title of securities, and provides easy receipt of public issue allotments. It also helps you avoid bad deliveries caused by signature mismatch, postal delays and loss of certificates in transit. Further, it eliminates risks associated with forgery, counterfeiting and loss due to fire, theft or mutilation. Demat account holders can also avoid stamp duty, avoid filling up of transfer deeds, and obtain quick receipt of such benefits as stock splits and bonuses.

DEMINIMUS, root is 'De minimis non curat lex' (Latin), a common law principle whereby judges will not sit in judgement of extremely minor transgressions of the law. It has been restated as "the law does not concern itself with trifles". It is commonly used to include a test of anyone judging conformance to accounting principles, regulations or rules.

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

DEMUTUALIZATION refers to the demutualizing of an insurance company. The proceeds from such an event are normally distributed to the policyholders in the form of either cash, shares, or a combination thereof in the surviving entity.

DENOMINATION is one of a series of kinds, values, or sizes, as in a system of currency or weights, e.g. U.S. currency comes in denominations of $1, $5, $10, $20, etc.

DEPARTMENTAL ACCOUNTING is where departments within an entity have varying degrees of autonomy, but are not usually separated geographically from the rest of the business. They may be concerned with manufacturing or, in the case of a department store, with retailing. Departmental accounts usually include a trading account and may also include a profit and loss account to which overheads are allocated or imputed.

DEPENDENT, generally, is a person who relies on another person for support (especially financial support); in U.S. tax law, it means a dependent as defined in tax code Section 152 which excludes those individuals who do not qualify for a dependent deduction on the employee’s tax return including domestic partners and parents.

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; i.e., it is the physical exhaustion of a natural resource (e.g., timber, oil and coal).

DEPOSIT can mean a variety of things: a. a payment given as a guarantee that an obligation will be met; b. the act of putting money into a bank account; c. a partial payment made at the time of purchase with the balance to be paid later; or, d. money given as security for an article acquired for temporary use.

DEPOSITS IN TRANSIT is deposits made to a bank account that have not been credited to the bank statement.

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

DEPRECIABLE COST is fixed asset cost that is subject to depreciation. Depreciable cost equals acquisition cost less salvage value.

DEPRECIATED HISTORICAL COST (DHC) is he method of valuation of certain assets at the actual cost of their acquisition and subsequent enhancement less a reduction for depreciation to date.

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.

DEPRECIATION ALLOCATION is the allocation of the cost of capital expenditures so that revenue is matched

with expenses for items that will last more than one year (land is not depreciable). The methodolgy is to allocate plant and equipment cost to expense through the use of accelerated, straight line and units of production amortization methods; as well as the disposal of assets; and, repairs and betterments to assets.

DEPRECIATION CONVENTION is utilized to determine how much depreciation to charge the first year when an item is bought part way through the year. Three different conventions are used: 1. Half year convention - All property placed in service is considered to be placed in service half way through the year. During the first year, half of the "normal" depreciation is taken. At the end of the depreciation period, the other half of the "normal" depreciation is taken; 2. Mid-quarter convention - If the amount of depreciation claimed on new items during the last 3 months of a year exceeds 40% of the total depreciation claimed during the year, then the mid-quarter convention is used. The amount of depreciation of each item is figured for one year then multiplied by 87.5% if was placed in service during Jan. - March, 62.5% if it was placed in service during April - June, 37.5% for items placed in service during July-Sept, and 12.5% for items placed in service during Oct. - Dec.; or, 3. Mid-month convention - All property is considered to be placed in service during the midpoint of the month. This requires some calculations.

DEPRECIATION METHOD see DEPRECIATION.

DEPRECIATION RECAPTURE is a provision contained in the Internal Revenue Code that makes excess depreciation taken on real property subject to income tax upon the sale or disposition of the property.

DEPRECIATION RESERVE in the process of allocating the cost of a fixed asset over its effective service life in a systematic and rational manner (depreciation schedule), the value of each depreciable asset is reduced by its

depreciation amount. To match this, the depreciation amounts are added to a "depreciation reserve" in the long-term liabilities.

DEPRECIATION REVERSAL is the reversal of a depreciaton amount in the depreciation reserve account.

DEPRECIATION SCHEDULE is the statement, over time, as to the schedule (timing and amounts) of depreciation of any long-term asset. A depreciation schedule is used for any type of depreciation applicable, i.e., either straight line or accelerated depreciation. See DEPRECIATION.

DERIVATIVE is a transaction or contract whose value depends on or, as the name implies, derives from the value of underlying assets such as stock, bonds, mortgages, market indices, or foreign currencies. One party with exposure to unwanted risk can pass some or all of the risk to a second party. The first party can assume a different risk from a second party, pay the second party to assume the risk, or, as is often the case, create a combination. Derivatives are normally used to control exposure or risk. See DERIVATIVE CONTRACT.

DERIVATIVE CONTRACT is, generally, a financial contract the value of which is derived from the values of one or more underlying assets, reference rates, or indices of asset values, or credit-related events. Derivative contracts include interest rate, foreign exchange rate, equity, precious metals, commodity, and credit contracts, and any other instruments that pose similar risks. See DERIVATIVE.

DERIVATIVE LIABILITIES are financial instruments under contracts that have one or more underlying and one or more notional amounts. See DERIVATIVE.

DESCRIPTIVE THEORY, in property rights, describes how property rights are created or initiated, how they are transferred from party to party, and finally how property rights are terminated.

DESIGNATED is something selected or named for a duty, e.g., designated receipts.

DESIGNATED RECEIPTS is that revenue which is identified for a specific purpose.

DETAIL, in accounting, is extended treatment of particulars of an accounting entry e.g., the from or to, date, amounts, purposes, balances, and, if needed, comments.

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

DEVELOPMENT normally refers to a) improving a product or producing new types of products; or b) in real estate, process of placing improvements on or to a parcel of land.

DEVOLUTION is the delegation of authority from higher to lower levels.

DEVOLVE is to pass on or delegate to another, e.g. a devolved letter of credit.

DEVOLVED BUDGETING follows from devolving managerial responsibility, and assumes that those who are closest to the point of delivery of product/service and other activities will normally be in the best position to make informed choices between alternative courses of action. For devolved budgeting to be fully effective, the budget holder should maintain proper control of the costs being charged to him or her and be accountable for performance against budget. The budget structures are being scrutinized continuously, the aim being to establish what further scope exists for useful devolution of authority and responsibility

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.

DILUTED SHARE see DILUTED EARNINGS PER SHARE.

DILUTION is the decrease, weakening, or loss in a financial statement related item. For example, share value may be diluted through the issuance of additional common shares.

DIO is Days Inventory Outstanding.

DIRECT ATTRIBUTION is the most precise method of costing an output. It seeks to capture accurately the volume and cost of resources used by particular activities. This can be expensive unless the information is already available because it requires detailed measurement of actual costs. Such direct measurement is seldom justifiable solely to improve the accuracy of a cost system, but many institutions use this method to obtain efficiency gains and cost savings.

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 (it can be traced to a given cost object in an economically feasible manner). Opposite of indirect cost.

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.

DIRECT FINANCING LEASE is one in which the lessor's only source of revenue isinterest. The lessor (generally a bank or other financial institution) buys anasset and leases it to the lessee. This transaction is an alternative to the morecustomary lending arrangement in which a borrower uses the loan proceedsto purchase an asset. A direct financing lease is the functional equivalent of a loan.

DIRECT JOURNAL PAYMENT is a payment that is recognized that is not included in the Accounts Receivable ledger, e.g. a double payment on a mortgage that has a monthly payment due and payable will cause a split-payment posting: one in the Accounts Receivable ledger for one half of the payment (principal and interest that is invoiced), with the other half of the

payment being posted to the Long Term Loan ledger as a direct journal payment.

DIRECT LABOR is work performed by individuals which is directly related to a specific cost objective. This work is readily identifiable with a particular product or service.

DIRECT LABOR BUDGET is a budget of planned expenditures for direct labor. The direct labor budget indicates the rate per hour and the number of hours necessary to meet production requirements. See OPERATING BUDGET.

DIRECT LABOR RATE VARIANCE reveals the difference between the standard rate and actual rate for the actual labor hours worked [(standard rate - actual rate) X actual hours].

DIRECT LABOR UTILIZATION RATE is total payroll charged directly to job numbers in the period divided by the total payroll (direct and indirect) expended in the period. Since payroll is by far the single largest cost to operate a firm, generally speaking, the higher the direct labor rate, the more efficiently economically managed is the firm.

DIRECT MATERIAL is the cost of raw materials and components that can easily and economically be identified either with individual units of production or with a responsibility center.

DIRECTOR'S REPORT is written by the Directors of a company and forms part of the company's financial statements. This report must support and elaborate on the information contained in the Income Statement, Balance Sheet and Source and Application of Funds Statement.

DIRECTORS RESPONSIBILITY STATEMENT contains written assurances from the board of directors that all company policies are followed: i) in the preparation of the Annual Accounts, the applicable Accounting Standards and there are no material departures; ii) selected such accounting policies and

applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period.

DIRECTORS VALUATION is a valuation that is not an independent valuation.

DIRECT WRITE-OFF METHOD is a method of accounting for bad debts that records the loss from an uncollectible account receivable at the time it is determined to be uncollectible; no attempt is made to estimate uncollectible accounts or bad debt expense.

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.

DISBURSE/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.

DISCLOSURE NOTE see DISCLOSURE PRINCIPLE.

DISCLOSURE PRINCIPLE states that any and all information that affects the full understanding of a company's financial statements must be include with the financial statements. Some items may not affect the ledger accounts directly. These would be included in the form of accompanying notes. Examples of such items are outstanding lawsuits, tax disputes, and company takeovers.

DISCOUNT is a decrease in value (often due to interest to be earned) or decrease in price.

DISCOUNT ALLOWED, normally, is a reduction of the invoice amount for early payment of the invoice value.

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 CASH FLOW METHOD is a budgeting method for project evaluation and selection.

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.

DISCOUNTED PAYBACK is the period of time required to recover initial cash outflow when the cash inflows are discounted at the opportunity cost of capital.

DISCOUNTING is the selling of accounts receivable to a financial entity.

DISCONTINUED OPERATIONS is the sale, disposal, or planned sale in the near future of a business segment (product line or class of customer).

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 is a difference between conflicting facts or claims or opinions. In import / export, it is situations 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 COST can be increased or decreased at the discretion of the decision maker (e.g., advertising and business travel).

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

DISHONORED NOTE is a note on which a debtor has defaulted.

DISINTERMEDIATION is the diversion of savings from accounts with low fixed interest rates to direct investment in high-yielding instruments.

DISPATCH, in shipping, is the amount paid by a vessel's operator to a charterer if loading or unloading is completed in less time than stipulated in the charter party.

DISPOSABLE INCOME is the amount of an individual's income left after taxes which is available for spending and / or savings. See DISCRETIONARY INCOME.

DISSOLUTION is the act of ending, terminating or winding-up a company or state of affairs. For example, when the life of a company is ended by normal legal means, it is said to be "dissolved". The same is said of marriage or partnerships which, by dissolution, ends the legal relationship between those persons formally joined by the marriage or partnership.

DISTRIBUTABLE CASH is a common term used by income funds to describe the amount of cash that is available to meet distribution obligations of the fund. Distributable cash does not have a standard meaning and may be calculated differently by different income funds.

DISTRIBUTION COST is any cost incurred to fill an order for a product or service. It includes all money spent on warehousing, delivering and/or shipping products and services to customers.

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.).

DISTRIBUTION TO OWNERS is payment of earnings to owners of a business organization in the form of a dividend. A dividend is a distribution to a corporation's stockholders usually in cash; sometimes in the corporation's stock and much less frequently in property (usually other securities).

DIT is Depreciation, Interest and Taxes.

DIVESTITURE is the sale by a company of a product line, a subsidiary or a division.

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 COVER see DIVIDEND PAYOUT RATIO.

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.

DIVIDENDS PER SHARE (DPS) ratio is very similar to the EPS: EPS shows what shareholders earned by way of profit for a period whereas DPS shows how much the shareholders were actually paid by way of dividends. The formula: Dividends per share = Dividends paid to equity shareholders / Average number of issued equity shares.

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

DIVIDEND YIELD RATIO allows investors to compare the latest dividend they received with the current market value of the share as an indictor of the return they are earning on their shares. The formula for the dividend yield is: Dividend yield = Latest annual dividends / Current market share price.

DIVISION is a self sufficient unit within a company. A division contains all the functions necessary to operate indepently from the parent company.

DMP is Direct Material Productivity, Debt Management Plan, Debt Management Program, or Data Management Plan.

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

DOCTRINE is a. something that is taught; b. a principle or position or the body of principles in a branch of knowledge or system of beliefs; c. a principle of law established through past decisions; d. a statement of fundamental government policy especially in international relations.

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

DOCUMENT CONTROL is a function or department which keeps track of all documentation, specifications and processes. The purpose is to ensure that everyone uses the correct and most current processes and specifications.

DOCUMENT MAINTENANCE is a formalized system of ensuring that all controlled documents are to the latest configuration or version.

DOCUMENT RECONCILIATION is the synchronization of formalized documents to approved or changed requirements or specifications.

DOCUMENT RETENTION POLICY is a set of guidelines that a company follows to determine how long it should keep certain records, including e-mail and web pages. The policy is important for many reasons, including legal requirements that apply to some documents. For example: a. for tax-related items - the recommended retention is seven years; and, b. for real estate records - the recommended retention is twenty years.

DOCUMENT REVIEW is a formalized technique of data collection involving the examination of existing records or documents.

DOH is Days on Hand (inventory).

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

DOLLARIZATION is the use of U.S. dollars by a country as its own currency; the linking of a currency's value to that of the U.S. dollar; or, the use of the U.S. dollar for accounting purposes.

DOLLAR VALUE LIFO, in the U.S., is a method of expressing the value of an inventory in monetary values rather than units. Each homogeneous group of inventory items is converted into base-year prices by using the appropriate price indices. The difference between opening and closing inventories is a measure in monetary terms of the change in the financial period.

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.

DONATED ASSETS are assets received in a voluntary non-reciprocal transfer from another entity such as gifts of capital assets; usually voluntary contributions of resources to a governmental entity by a non-governmental entity.

DONATED CAPITAL is a gift of assets to a company, usually by state or local governments, to induce a business to relocate to their jurisdiction.

DOOMSDAY RATIO is related to the quick (acid test) ratio in that it is a conservative approach to debt coverage. The doomsday ratio only considers the cash on hand when evaluating if an entity can cover their current liabilities. The approach is that if the business were to go bankrupt today, would the business have enough cash on hand to cover current debts. The ratio is considered a good indicator of the cash cushion of safety. It may spot cash shortages, thereby assisting in avoiding a credit crisis. It is calculated: Cash divided by Current Liabilities.

DOUBLE ACCOUNTING is the un-intentional, or sometimes fraudulently intentional, double counting of assets or liabilities, or any other datasets, which, in the end, give an inaccurate view of what the data really means. In accounting, this is usually caused by a multiplicity of entries of the same data which, in the end, causes confusion or financial reporting inaccuracies.

DOUBLE DECLINING BALANCE DEPRECIATION see DECLINING BALANCE DEPRECIATION.

DOUBLE DIPPING is two incomes received from the same source (as by holding a government job and receiving a government pension.

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. Double-entry bookkeeping (DEB) or accounting was developed during the fifteenth century and was first recorded in 1494 as a system by the Italian mathematician Luca Pacioli.

DOUBLE LEVERAGE usually refers to a situation where a holding company raises debt and downstreams it as equity capital, or subordinated debt, to a subsidiary, i.e. it is the use of debt by both the parent company and the subsidiary, in combination with the company's equity capital, to finance the assets of the subsidiary.

DOUBTFUL DEBT is a debt where circumstances have rendered its ultimate recovery uncertain. Conservatism requires that doubtful debts should be treated in the same way as bad debts. They should thus be recorded as an expense in the profit and loss account and to be credited to a provision to set off against ultimate default if it occurs.

DOW JONES INDUSTRIAL AVERAGE is an index that tracks the daily share value of 30 large US companies listed on the New York Stock Exchange. The Dow Jones generally mirrors the exchange as a whole.

DOWN PAYMENT is a partial payment made at the time of purchase; the balance to be paid later as stipulated by contract; written or oral.

DOWNSTREAM / UPSTREAM SALES see UPSTREAM / DOWNSTREAM SALES.

DPO see Days Payables Outstanding.

DPS see DIVIDENDS PER SHARE.

Dr is an ancient Italian abbreviation for the Italian word 'debare'; meaning 'debit' (not to be confused with the acronym **DR** with both letters in uppercase).

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

DRAW see PROPRIETORS DRAW.

DRAWDOWN is the magnitude of a decline in account value, either in percentage or currency terms.

DRAWEE is the buyer of a draft instrument.

DRAWING ACCOUNT see PROPRIETORS DRAW.

DRAWINGS see PROPRIETORS DRAW.

DROP SHIP is where the seller/retailer of a product ships the product directly from the manufacturer to the customer without requiring inventory carrying by the seller/retailer.

DSO, in accounting, is an acronym that usually means 'Days Sales Outstanding'.

DTD can be: Dated, Day-to-day, or Document Type Description, among others.

DUALITY CONCEPT is the foundation of the universally applicable double entry book keeping system. It stems from the fact that every transaction has a double (or dual) effect on the position of a business as recorded in the accounts. For example, when an asset is bought, another asset cash (or bank) is also and simultaneously decreased OR a liability such as creditors is also and simultaneously increased. Similarly, when a sale is made the asset of stock is reduced as goods leave the business and the asset of cash is increased (or the asset of debtors is increased) as cash comes into the business (or a promise to pay is made and accepted). Every financial transaction behaves in this dual way.

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 is when you importune (beg or are insistent upon) a debtor for payment: a dunning letter.

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.

DUPONT ANALYSIS is a method for analyzing Return on Equity (ROE). The formula: ROE = Net Margin x Asset Turnover x Leverage Factor.

DURATION DRIVERS represent the amount of time required to perform an activity.

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

EA is Enrolled Agent (IRS designation).

E&O INSURANCE is an errors and omissions, or E&O, liability policy (often called malpractice insurance) covers liability for negligent acts, errors and omissions committed by professionals, including physicians, accountants, lawyers, etc.

E&OE is a British acronym that stands for "Errors and Omissions Excepted". E&OE is a legal disclaimer that notifies the reader that, without prejudice, that the content and/or validity of the subject data may change without notice.

E&P is Earnings and Profits.

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

EARNED SURPLUS see RETAINED EARNINGS.

EARNING ASSET is an asset which provides income (e,g, rental property).

EARNING CAPACITY is the net average earnings at a given moment in time: past, current or future.

EARNING CAPACITY, LOSS OF "Loss of earning capacity" means the difference between the worker's net average earnings before the incident, and the net average amount of wages the deciding body determines the worker is capable of earning after the incident.

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

EARNING QUALITY is best determined through the inverse relationship between the amount of time elapsed between revenue recognition and cash collection.

EARNINGS is a term that refers to the financial capacity of a corporation to make distributions to shareholders other than return of capital, e.g., dividends. See also RETAINED EARNINGS.

EARNINGS BEFORE TAXES see PROFIT BEFORE TAXES.

EARNINGS FROM OPERATIONS (EFO) represent earnings before other operating items less (i) depreciation and amortization plus (ii) other income less (iii) other expense.

EARNINGS MANAGEMENT occurs when managers use judgment in financial reporting and in structuring transactions to alter financial reports to either mislead some stakeholders about the underlying economic performance of the company, or to influence contractual outcomes that depend on reported accounting numbers.

EARNINGS PER SHARE (EPS) is either: a. Basic EPS is earnings before extraordinary gains and losses, less preferred-share dividends, divided by all common shares outstanding at the most recent fiscal year end. Net income, or earnings, refers to the company's after-tax profits before extraordinary gains or extraordinary losses for the most recent annual period; or, b. Diluted EPS is where the number of shares used in the calculation is increased to account for outstanding dilution such as options, warrants, in-the-money convertibles, etc.

EARNINGS RETENTION is the proportion of net income that is not paid in dividends. A firm earning $80 million after taxes and paying dividends of $20 million has a retention rate of $60 million/$80 million, or 75%. A high retention rate makes it more likely a firm's income and dividends will grow in future years.

EBIT is Earnings Before Interest and Tax. EBIT is an indicator of a company's financial performance calculated as revenue less expenses excluding tax and interest. It is sometimes referred to as operating earnings.

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 Operational Cash Flow.

EBITDARM is an acronym for Earnings Before Interest, Taxes, Depreciation, Amortization, Rent and Management fees.

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.

ECONOMETRICS literally means 'economic measurement'. It is the branch of economics that applies statistical methods to the empirical study of economic theories and relationships. It is a combination of mathematical economics, statistics, economic statistics and economic theory.

ECONOMICALLY FEASIBLE means that the benefit of tracing the cost (greater accuracy) outweighs the cost of doing so.

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 DEPRECIATION is the decline in real estate property value caused by external forces, such as neighborhood blight or adverse development.

ECONOMIC ENTITY accounting concept that provides context or "point of view" for the economic events (i.e., transactions) captured by the financial statements. In short, it answers the questions, "Whose asset is it?"; "Whose liability is it?"

ECONOMIC EVENT is the transfer of control of an economic resource from one party to another party.

ECONOMIC EXPOSURE, in foreign exchange, is the extent to which the value of the firm, as measured by the present value of all expected future cash flows, will change when exchange rates change.

ECONOMIC INCOME is the maximum amount that can be distributed to owners during the accounting period and leave the business as well off at the end of the accounting period as it was at the beginning of the period; i.e. cash flow based.

ECONOMIC ORDER QUANTITY is the order quantity that minimizes total inventory costs. A total inventory cost is the sum of ordering, carrying and stock-out costs.

ECONOMIC PROFITS is the difference between the total revenue and the total opportunity costs.

ECONOMIC RESOURCES is the profitable extraction or production, under defined investment assumptions, of returns that are analytically demonstrable or can be assumed with reasonable certainty.

ECONOMIC SUBSTANCE refers to the application of income tax laws, i.e., the substance of the transaction, rather than its form, determines the tax consequences, with few exceptions. The "form" of a transaction is only the label the interested parties attach to their arrangement. For instance, an arrangement might be called a compensation agreement, loan, lease or sale. Documents may support the form, but the courts are not concerned with these labels or papers that purport to govern the transaction -- they focus on its substance. The "substance over form" analysis is used to dissect self-serving transactions between parties, including loans and payments to family members; transactions between related corporations and their shareholders, partnerships and their partners; and between trusts and their beneficiaries. For instance, sale of a home by a parent to a child may be recharacterized by the court as a gift, if the child never pays for it. Related-party transactions provide fertile territory for self-dealing, with the tax benefit as the real motivating purpose, disguised by the form of the transaction. In contrast, arm's-length transactions with independent third parties are far less vulnerable.

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.

ECONOMIES OF SCALE is based upon the theory that the more you produce of a good, the less that it costs for each additional unit, i.e., efficiency. Specifically, it is the reduction of the costs of production of goods due to increasing the size of the producing entity and the share of the total market for the good/product.

EEO is Equal Employment Opportunity or Equal Employment Office.

EF&L is Errors, Fines and Losses.

EFFECTIVE DATE OF INTEREST is the market rate at time of a debt issue.

EFFECTIVE INTEREST RATE is the cost of credit on a yearly basis expressed as a percentage. Includes up-front costs paid to obtain the loan, and is, therefore, usually a higher amount than the interest rate stipulated in the note.

EFFECTIVE TAX RATE is the net rate a taxpayer pays on income that includes all forms of taxes. It is calculated by dividing the total tax paid by taxable income.

EFFICIENCY is the ratio of the output to the input of any system.

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.

EFFORT-EXPENDED METHOD measures the percentage of labor hours incurred to date as compared to estimated total labor hours for each contract.

EFO see EARNINGS FROM OPERATIONS.

EFT see Electronic Funds Transfer.

EI&DO is Extraordinary Items and Discontinued Operations.

EITF see Emerging Issues Task Force.

ELECTRONIC FUNDS TRANSFER is a payment executed through computers.

ELIMINATION is the the act of removing a mathematical quantity by combining equations. This is common practice in accounting when consolidating financial reports; one example would be inter-company transactions, currency translations, and account balances.

EMBEZZLEMENT is the fraudulent appropriation and personal use of funds or property entrusted to that persons care but actually owned by someone else, e.g. an employee can embezzle money from his or her employer, a civil servant can embezzle funds from the treasury, or a pastor can embezzle funds from a church. See also THEFT and WHITE COLLAR CRIME.

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.

EMERGING ISSUES TASK FORCE (EITF) was formed in 1984 in response to the recommendations of the FASB's task force on timely financial reporting guidance and an FASB Invitation to Comment on those recommendations. The mission of the EITF is to assist the FASB in improving financial reporting through the timely identification, discussion, and resolution of financial accounting issues within the framework of existing authoritative literature.

EMI is Equal Monthly Installments (finance/business).

EMPLOYED, generally, is having your services engaged for; or having a job especially one that pays wages or a salary. In a more specific sense employed means: to put to use, e.g. funds employed or ideas employed.

EMPLOYEE BENEFITS is non-wage compensation provided to employees, such as group insurance, retirement benefits, day care, tuition reimbursement, and specialized benefits.

EMPLOYEE COMPENSATION is wage and salary payments as well as benefits including health and life insurance, retirement payments, and any other non-cash compensation.

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.

ENCUMBRANCE is a) a right or interest in land owned by someone other than the owner of the land itself; examples include easements, leases, mortgages, and restrictive covenants; or, b) in accounting, an encumbrance is an anticipated expenditure, or funds restricted for anticipated expenditures, such as for outstanding purchase orders.

ENDING INVENTORY is inventory at the end of the accounting period.

ENDORSE, depending upon usage, can be: a. application of legal signature to documents or checks; b. a guarantee as meeting a certain standard; c. to be behind or approve of; or, d. to give active support or one's approval to.

ENDORSEMENT, dependent upon usage, can be: a. a signature that validates something, e.g. a bank cashier will not cash a check without an endorsement; b. a promotional statement, e.g. as found on the dust jackets of books; or, c. formal and explicit approval.

ENDOWMENT is a permanent fund where gifts to the fund are held in perpetuity and where earnings are used in accordance with the donor’s specified wishes.

ENGINEERED COSTS are those costs having a clear linkage to output, e.g., direct materials costs.

ENHANCED DISCLOSURE, in securities, is an in-depth open disclosure of any activity taken or proposed by the securities issuer that may have any relevance, positive or negative, to the securities in question.

ENROLLED AGENT is any individual who is enrolled under the provisions of Treasury Department Circular No. 230 to practice before the IRS.

ENTERPRISE is an organization created for business ventures.

ENTERPRISE RESOURCE PLANNING (ERP) is an information system or process that integrates all operational data and related applications for an entire enterprise. ERP systems permit organizations to manage resources across the enterprise.

ENTERPRISE VALUE (EV) is a measure of a company's value. Enterprise value is calculated by: market capitalization plus debt and preferred shares minus cash and cash equivalents. In effect, enterprise value is the theoretical takeover price, i.e., in the event of a buyout an acquirer would have to take on the company's debt but would pocket its cash.

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.

ENTITY, in business, is a separate or self-contained existence that provides goods or services.

ENTITY BOUNDARY is that which is legally included within or excluded from a defined entity.

ENTITY ASSUMPTION is the assumption that financial statements are prepared for an entity that is separate and distinct from its owners.

ENTITY CONCEPT is the concept that financial accounting and reporting relates only to the activities of a specific business entity and not to the activities of the owners of that entity.

ENTITY THEORY is where a legal entity is regarded as having a separate existence from the owners. The financial statements are prepared from the perspective of the entity, not its owners. See PROPRIETARY THEORY.

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.

EOM is End of Month.

EOY is End Of Year.

EOZ is Environmental Opportunity Zones.

EPS see EARNINGS PER SHARE.

EPU see EQUIVALENT UNIT OF PRODUCTION.

EQUILIBRIUM POINT is one of the fundamental concepts in economics describing the market price of a good or service as being determined by the quantity of both supply and demand for it. In 1890, the English economist Alfred Marshall published his famous work, Principles of Economics. Marshall's graph displays two lines that cross as an "X" with the declining line representing customer demand and the ascending line supply. The intersection of the two lines denotes an EQUILIBRIUM POINT toward which the market price will move to equalize the supply quantity to exactly match the demand quantity. Any higher price above this equilibrium creates a surplus where sellers would inevitably lower their price to sell more of the product. A lower price creates a shortage where sellers would increase price to earn more profit.

EQUIPMENT is generally determined by the meeting of three tests: a. Has an acquisition cost that is equal to or more than the cost hurdle for classifying capitalized assets. Includes: Invoice amount, sales tax, freight costs, installation costs, costs for the initial complement of supplies needed to place the asset into service, accessory and auxiliary apparatus necessary to make it usable for the purpose for which it was acquired; less trade or trade in discounts and/or educational allowances Excludes: Federal Excise tax, duty, insurance, maintenance and warranty costs; and, b. Has a useful life of two or more years If the item will not have a useful life of more than two years it is considered expendable material, even if it costs more than the level for determining a capital asset; and, c. Is a stand alone item. The item is not permanently attached to or integrated into a building or structure.

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 ACCOUNTING is the practice of showing in a company's accounts the share of undistributed profits of another company in which it holds equity ownership (usually below 50%). The share of profit shown is usually equal to its share of the equity in the other company. The profit may not actually be paid over, but the equity holding company has a right to this share of the undistributed profit.

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

EQUITY FINANCING is a method of an entity obtaining funds by issuing either common or preferred stock, or both. Receipts can be through cash, services, or property. It is in the entities best interest to issue shares when the market price for the stock is at its highest.

EQUITY FUND is a mutual fund whose portfolio consists primarily of common stocks.

EQUITY FUNDING see EQUITY CAPITAL.

EQUITY HOLDING is a holding of the nominal share capital in a company where the shareholding entitles the shareholder to a right to votes, to profits available for distribution to shareholders and to assets available for distribution on a winding up of that company. A holding of shares held as trading stock for the purpose of a trade does not constitute a participating holding.

EQUITY INSTRUMENT covers any share (or part thereof) in the equity share capital of a company (or a comparable member's interest in a close corporation). The term also includes share options and any other financial instrument convertible into a share (such as a convertible debenture).

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

EQUITY MULTIPLIER (EM) shows the amount of assets owned by the firm for each equivalent monetary unit owner claims held by stockholders, i.e., the equity multiplier measures how many dollars of assets an institution supports with each dollar of capital. If a firm is totally financed by equity, the equity multiplier will equal 1.00, while the larger the number the more highly leveraged is the firm. EM compares assets with equity: large values indicate a large amount of debt financing relative to equity. EM, thus, measures financial leverage and represents both profit and risk measurement. EM affects a firm's profit because it has a multiplier impact on Return on Assets (ROA) to determine the firm's Return on Equity (ROE). EM is also a risk measure because it reflects how many assets can go into default before a company becomes insolvent. The EM ratio is best compared to industry averages.

EQUITY SHARE is a. a share or class of shares whether or not the share carries voting rights, b. any warrants, options or rights entitling their holders to purchase or acquire the shares referred to under (a), or c. other prescribed securities. An equity share is a perpetual liability because it

signifies an owner's legal demand upon the assets of the entity in which the equity share if held. See also COMMON STOCK.

EQUITY SHARE CAPITAL is capital raised by an entity through the sale of common shares.

EQUITY OFFERING see EQUITY CAPITAL.

EQUITY-TO-ASSET RATIO expresses the proportion of total assets financed by the owner’s equity capital. It is the reciprocal of the debt-to-asset ratio.

EQUIVALENT UNIT OF PRODUCTION (EPU) is based on the idea that if 100 units are all 40% complete, then 40 whole units could have been completed.

ERISA, in the U.S., refers to the Employee Retirement Income Security Act of 1974. ERISA is a major U.S. law which guarantees certain categories of employees a pension after some period at their employer; there had been more ambiguity before about what rules an employer could put on which employees could get a pension.

ERP can mean either Enterprise Resource Planning or Early Retirement Program. See ENTERPRISE RESOURCE PLANNING.

ERROR OF COMISSION is an error that occurs as a result of an action taken. In accounting, the error occurs when one or both of the double entries are made in the correct class of account but the wrong account within that class.

ERROR OF OMISSION is an error which occurs as a result of an action not taken. In accounting, the error occurs when both the entries required for a transaction are completely omitted from the books.

ERROR OF ORIGINAL ENTRY, in accounting, occurs when the double entry is made but using an incorrect figure.

ERROR OF PRINCIPLE, in accounting, occurs when one or both of the entries are made in the wrong class or category of account.

ESCHEAT is the reversion of property to the state (government) in the absence of legal heirs or claimants.

ESCROW ACCOUNT see TRUST ACCOUNT.

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.

ETHICAL STANDARDS, in accounting, is a written document containing basic principles and essential procedures together with related guidance in the form of explanatory and other material.

ETHICS, in business, are moral and professional principles.

EUROBOND see GLOBAL BOND.

EUROIZATION is the use of the euro by a country as its own currency; the linking of a currency's value to that of the euro; or, the use of the euro for accounting purposes.

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

EVA see ECONOMIC VALUE ADDED.

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.

EX is not including or without, e.g. a stock price ex dividend. In business: free of any transport or handling charges incurred before removal from a given location, e.g., bought the goods ex warehouse.

EXCEPTIONAL ITEMS are material items which derive from events or transactions that fall within the ordinary activities of the reporting entity and which individually or, if of a similar type, in aggregate, need to be disclosed by virtue of their size or incidence if the financial statements are to give a true and fair view.

EXCESS OF REVENUE OVER EXPENSES in the not-for-profit sector. There is a common misconception that not-for-profit organizations are not allowed to have a financial cushion as they are "not-for-profit". In this context it is useful to remember that not-for-profit organizations are also "not-for-loss" organizations. An organization cannot sustain losses over the long term without ceasing to operate or going bankrupt. Excess of revenue over expenses is the planned financial position that there will always be a sufficient amount of funds on hand to continue to run the not-for-profit entity for some period without additional funding; usually 3-4 months.

EXCHANGE is a. a workplace for buying and selling; open only to members, e.g. New York Stock Exchange; or, b. reciprocal transfer of equivalent sums of money especially the currencies of different countries, e.g. foreign exchange markets.

EXCHANGE RATE is the rate at which one currency can be traded for another.

EXCHANGE RATE RISK, in foreign exchange, is the variability of a firm's value due to uncertain changes in the rate of exchange.

EXCISE TAX is a tax imposed by federal, state, and local governments on an act, occupation, privilege, manufacture, sale, or consumption that is not deductible (e.g., tobacco, gasoline and spirits). This term is in increasing usage to describe almost every tax other than income tax and property tax.

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.

EXEMPT is being freed from or not subject to an obligation, liability, tax, etc.; excused. Examples: exempt gifts or tax-exempt bonus.

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.

EXISTING USE VALUE (EUV) is the price at which a property can be sold on the open market assuming that it can only be used for the existing use for the foreseeable future.

EXPECTATION GAP, in accounting, is the gap between an auditors' actual standard of performance and the more rigorous public expectation of what an auditors' performance should be. The users of financial statements should be allowed to expect that the auditors' materiality levels correspond with their own. If this is not the case an expectation gap will arise. Especially if the financial statements contain non-corrected known errors or omissions classified as immaterial by the auditor, but classified as material by the

users. The unknown material errors and omissions are still a part of the audit risk.

EXPECTED ANNUAL CAPACITY is the planned activity levels or output for a given year taking into account efficiency and idle capacity.

EXPECTED VALUE OF PERFECT INFORMATION (EVPI) is the difference between the expected value with (additional) perfect information and the expected value with current information. The expected value of perfect information is the maximum amount a decision maker should pay for additional information that gives a perfect signal as to the state of nature.

EXPENDABLE is something that can be used and discarded without hurting the end product or the company's viability.

EXPENDABLE NET ASSETS are those assets not required to be retained in perpetuity, i.e. those assets available for use for operations.

EXPENDABLE TRUST FUND is a governmental fiduciary fund held in a trustee capacity by a governmental agency that accounts for assets and activities restricted to a specific purpose in accordance to formal intent. The principal of the fund can be expended towards only the activity specified, e.g., Unemployment Compensation Fund, Employee Benefits Fund, etc.

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

EXPENSE is the amount of assets or services used during a period.

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

EXPIRATION DATE is the date on which something; e.g. a security or bond offering, warranty or license; is no longer valid or in effect.

EXPIRED EXPENSE is an expense having come to an end or become void after passage of a period of time.

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, generally, is the extent to which a product is kept in the public eye through the press, radio, television, and public appearances. In finance, exposure refers to the amount that a business or person can lose. For example: in foreign exchange, it refers to the degree to which a company is affected by exchange rate changes.

EXPOSURE DRAFT is a proposed statement of financial accounting standards issued by the FASB for public comment. The exposure draft represents the FASB's considered judgment on a specific accounting issue. Subject to comments received and possible additional deliberation, an exposure draft may become a Statement of Position (SOP), mandating a Financial Accounting Standard (FAS).

EXPROPRIATION is the taking of property or rights by governmental authority such as eminent domain, possibly including an emergency

situation, such as taking a person's truck or bulldozer to build a levee during a flood. In such a case just compensation eventually must be paid to the owner, who can make a claim against the taker.

EXTERNAL is from or between other countries, e.g. external commerce; or, happening, arising or located outside or beyond a company, e.g. external influences.

EXTERNAL AUDIT is an audit conducted by an individual or firm that is independent of the company being audited. These independent auditors audit the books of a company generally once per year (see INTERIM AUDIT) after the completion of the company's fiscal year. Their role is to give an opinion of the financials statement's reflection of the status and operations of the company being audited. Based on what they witness during the audit they will also produce, for management and board utilization, a management letter. Although a financial statement audit is the most common type of external audit, external auditors may also conduct special purpose audits which might include; performing specific tests and procedures and reporting on the results, a less intensive review, and compilations.

EXTERNAL AUDITOR is an auditor, usually working for an audit firm, that is completely independent of the company it is auditing. External auditors should always be certified by a professional association of accountants, and should be selected by, and report to, the corporation’s board of directors.

EXTERNAL DEBT is the total private and public debt owed by a country to individuals, households, firms, and governments in other countries.

EXTERNAL ENVIRONMENT is factors (conditions, trends, and forces) essentially outside the control of organizational members. External environmental scans are conducted to identify important factors in the external environment. This analysis is often a critical aspect in all business or strategic plans.

EXTINGUISHMENT OF DEBT is the debtor's satisfaction of the obligation to a creditor, either legally or in-substance. A debt shall be accounted for as having been extinguished in a number of circumstances, including when it has been settled through repayment or replacement by another liability.

EXTRAORDINARY EXPENSE see EXTRAORDINARY ITEMS.

EXTRAORDINARY ITEMS are material items that are unusual in nature and occur infrequently. Both characteristics must exist for an item to be classified as an extraordinary item on the income statement.

EXTRATERRITORIAL INCOME EXCLUSION is the amount excluded from a taxpayer's gross income for certain transactions that generate foreign trading gross receipts. In general, foreign trading gross receipts include gross receipts from the sale, exchange, lease, rental, or other disposition of qualifying foreign trade property. Foreign trading gross receipts also include receipts from certain services provided in connection with such property, as well as engineering and architectural services for construction projects outside the United States. Qualifying foreign trade property generally includes property that is held primarily for sale or lease for direct use or consumption outside the United States. Form 8873 is attached to the taxpayer's income tax return. Both corporate and non-corporate taxpayers who have qualifying transactions may now be required to file Form 8873. The exclusion reported on Form 8873 was created by the Foreign Sales Corporation (FSC) Repeal and Extraterritorial Income Exclusion Act of 2000. The new exclusion applies to certain transactions entered into after September 30, 2000, but is subject to transition rules for foreign corporations with a valid FSC election in effect on September 30, 2000.

FA, dependent upon usage, can mean Fixed Assets, Financial Advisor, Feasibility Analysis, Funds Allocated, Financial Assurance, Financial Agent, Financial Aid, or Factor Analysis.

FACE VALUE is the value printed or written on the face of a asset, e.g. on a bill or bond.

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.

FACTORY OVERHEAD is the costs of operating a factory which cannot be assigned directly to a specific department or product.

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.

FAIR VALUE, under GAAP, is the amount at which an asset could be bought or sold in a current transaction between willing parties, other than in liquidation. On the other side of the balance sheet, the fair value of a liability is the amount at which that liability could be incurred or settled in a current transaction between willing parties, other than in liquidation.

F&A is Facilities and Administrative Costs (aka Indirect Costs or Overhead), Fabrication & Assembly, Finance & Administration, or Finance & Accounting.

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 see Financial Accounting Standards Board.

FAVORABLE VARIANCE is a variance created by using or spending less of a given resource than specified by the standard, often categorized as rate (spending less per hour for labor for a given amount of production),

efficiency (using less hours for a given amount of production), usage (using less materials for a given amount of production) or price (paying less to a vendor for a given purchased item).

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.

FCPA, in Australia and elsewhere, is Fellow Certified Practicing Accountant.

FDI is Foreign Direct Investiment.

FEDERAL UNEMPLOYMENT TAX ACT (FUTA) is a U.S, federal law providing guidelines for the unemployment compensation system. A Federal tax is paid by all liable employers to fund the administration of Federal and State unemployment insurance programs and the extended benefits program. FUTA provides for payments of unemployment compensation to workers who have lost their jobs. Most employers pay both a federal and a state unemployment tax.

FEE ABSOLUTE see FEE SIMPLE.

FEE ACCOUNTANT is an individual who performs manual or automated bookkeeping services and/or maintains the official accounting records.

FEEDBACK is the process in which part of the output of a system is returned to its input in order to regulate its further output, e.g. a management feedback system would assess the effectiveness of management or a given process and feed the analyzed results back into management for development of positive change.

FEE SCHEDULE is a schedule or list of fees to be paid or benefits that will be received under listed professional procedures or benefits.

FEE SIMPLE is absolute ownership of real property; owner is entitled to the entire property. This includes unencumbered right of disposition during his/her life and upon death the real property passes to his/her heirs. Also known as FEE SIMPLE ABSOLUTE and FEE ABSOLUTE.

FEE SIMPLE ABSOLUTE see FEE SIMPLE.

FEE SIMPLE DETERMINABLE is a fee simple which automatically comes to an end when a stated event occurs or, perhaps, fails to occur.

FF&E is Furniture, Fixtures & Equipment (in real estate).

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.

FGAR is Florida Government Accountability Report.

FGI see FINISHED GOODS INVENTORY.

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 ASSET is debit balance includes on balance sheets as assets that do not conform to the definition of an asset. Intentional includes of assets known to be fictitious assets may be ruled as fraud.

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.

FIDDLY is requiring close attention to detail, i.e. to be fussy (primarily used in Great Britain).

FIDUCIARY is a person or business (for example, a bank or stock brokerage) who has the power and obligation to act for another (often called the beneficiary) under circumstances which require total trust, good faith and honesty.

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.

FINANCE, dependent upon usage, is a. the management of money, credit, banking and/or investments; b. the commercial activity of providing funds and capital; c. the branch of economics that studies the management of money and other assets; or, d. to sell or provide on credit.

FINANCE CHARGE is the total dollar amount your loan will cost you. It includes all interest payments for the life of the loan, any interest paid at closing, your origination fee and any other charges paid to the lender and/or broker. In real estate, appraisal, credit report and title search fees are normally not included in the finance charge calculation.

FINANCE LEASE, typically, is a full-payout, non-cancelable agreement, in which the lessee is responsible for maintenance, taxes, and insurance.

FINANCIAL ACCOUNTABILITY tells you what policies your board should adopt or has adopted to meet their responsibility for ensuring that the organization they govern is financially sound. They would then hold those who manage the organization accountable for implementing these policies. Policy areas covered: Finances, Budgets, Asset Protection and Major Risks.

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

FINANCIAL ACCOUNTING STANDARDS BOARD (FASB) is a professional organization which develops accounting principles.

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

FINANCIAL BUDGET is focused on capital expenditures and on a business's budgeted cash position:

1. CAPITAL BUDGET forecasts large expenditures for items such as machinery. Different companies set different thresholds for what qualifies as a capital expenditure (versus an expense). If the purchase of an item (such as a piece of machinery) is classified as a capital expenditure, it is then depreciated (or amortized in some cases) over a predetermined period of time. The Capital Budget covers Capital Expenditures, Disbursements for Capital Expenditures, and Depreciation Budgets.

2. CASH BUDGET tracks a business's anticipated cash receipts and disbursements. This is a very detailed and important schedule that draws on information in the Operating Budget.

FINANCIAL CONSULTANT see CHARTERED FINANCIAL CONSULTANT.

FINANCIAL ENGINEERING is a process involving the creation and combination of a variety of financial instruments in order achieve a defined financial objective within certain cost, tax and legal constraints, e.g. combining or dividing existing financial products to create new financial products.

FINANCIAL EXPENSE can mean a. generally in the corporate world, it is a company's interest expense on long-term debt; or, in greater depth it is b. it includes interest and related charges; foreign exchange losses on debt; net expense on the disposal of marketable securities; amortization of bond redemption premiums; additions to provisions for financial liabilities and charges and impairment losses on investments.

FINANCIAL GEARING reflects any borrowing that the company may have undertaken. Operating income will become more volatile with increased

financial gearing (borrowing). Thus the shares will have more risk attached to them. More borrowing, more risk. See GEARING and OPERATIONAL GEARING.

FINANCIAL GUARANTEE INSURANCE is insurance created to cover losses from specified financial transactions.

FINANCIAL INCOME is that income that is contained within the financial statements of an entity. Financial income normally is not in alignment with taxable income reported in income tax returns. See TAXABLE INCOME.

FINANCIAL INSTITUTION is an institution (public or private) that collects funds (from the public or other institutions) and invests them into financial assets.

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.

FINANCIAL MANAGEMENT is the process of managing financial resources, including management decisions concerning accounting and financial reporting, forecasting, and budgeting.

FINANCIAL PLANNER is a investment professional who assists individuals with long- and short-term financial goals.

FINANCIAL POSITION is the status of a firm's or individual's assets, liabilities, and equity positions as reflected on its financial statement.

FINANCIAL RATIO is the result of dividing one financial statement item by another. Ratios help analysts interpret financial statements by focusing on specific relationships.

FINANCIAL RATIO ANALYSIS is: a. an easy and valuable way to interpret and understand the numbers found in your financial statements. Understanding the relationships between the numbers can help you answer critical questions about your business -- and if you monitor the ratios on a regular basis you'll gain insight into how effectively you are managing your business. And: b. lenders also like to evaluate risk by using several sets of ratios; ratios of assets to liabilities, and ratios of lender-investor dollars to owner-investor dollars. Recognize that ratios are indicators and that only you can tell the full story about your business. So the more adept you are at explaining your financial ratios to your investor/lender, the better she/he will understand your business as he/she makes a investment/credit decision.

FINANCIAL REPORT could contain financial statements, annual report, SEC Form 10-K, and/or prospectus among other documents, i.e. there is no set format.

FINANCIAL REPORTING RELEASE (FRR), in the U.S., is the policy releases and pronouncements from the SEC (Securities and Exchange Commission).

FINANCIAL RESTRUCTURING is a process geared at avoiding the liquidation of the Company. Usually it involves agreement by third parties to satisfy creditors' claims under certain terms and conditions. Financial restructuring may also be carried out by concluding an agreement with all creditors of the Company under which creditors will be paid on somewhat different terms than those initially accepted by the Company when credit and loans were extended. This form of financial restructuring enables the Company to continue its operations and minimize creditors’ losses. See also RESTRUCTURING.

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

FINANCIAL RISK is the possibility of whether a bond issuer will default, by failing to repay principal and/or interest in a timely manner. Usually bonds issued by the federal government, for the most part, are immune from default (if the government needs money... more is printed). Bonds issued by corporations are more probable to be defaulted on, since companies often go bankrupt. Municipalities occasionally default as well, but it is much less common. Can also be called default risk or credit risk.

FINANCIALS see FINANCIAL STATEMENT.

FINANCIAL SCHEDULE, contained in an audited annual report, summarizes the audited financial position of the audited entity. Other application of the term is the scheduling of amounts, not necessarily by date, of major financial events by any given category as to projected receipts, payments, costs, etc.

FINANCIAL STATEMENT is a written report which quantitatively describes the financial health of a company. This includes an income statement and a balance sheet, and often also includes a cash flow statement. Financial statements are usually compiled on a quarterly and annual basis.

FINANCIAL STATEMENT ANALYSIS is analysis of a company's financial statement, usually by accountants or financial analysts. Usually includes indepth financial ratio analysis comparisons over time periods.

FINANCIAL SYSTEM is an information system, comprised of one or more applications, that is used for any of the following: collecting, processing, maintaining, transmitting, and reporting data about financial events;

supporting financial planning or budgeting activities; accumulating and reporting cost information; or supporting the preparation of financial statements.

FINANCIAL TREND ANALYSIS is the process of analyzing financial statements of a company for any continuing relationship. Generally, an analysis is made to find out what direction a concern is going, how rapidly, and whether there are enough resources to complete proposed projects.

FINANCIAL VIABILITY is the ability of an entity to continue to achieve its operating objectives and fulfill its mission over the long term.

FINANCING COST is the difference between the cost of financing the purchase of an asset and the assets cash yield. Positive carry means that the yield earned is greater than the financing cost; negative carry means that the financing cost exceeds the yield earned.

FINANCING MARGIN RATIO (FMR) is the margin to be maintained between the debit balance and the actual security value as stipulated in the Facility Letter or any other margin as stipulated by a lending bank from time to time as the FMR.

FINISHED GOODS INVENTORY is that portion of goods in inventory which have completed manufacture and are available for sale.

FIRM is members of a business organization that owns or operates one or more establishments, e.g. a legal or accounting firm.

FISCAL is belonging to the public treasury; or, pertaining to public finance and financial transactions.

FISCALIST is an economist who prefers that the government affect the economy by raising and lowering taxation and/or government spending.

FISCAL LEVERAGE is the ability of a government to affect economic conditions and/or actions of others through fiscalist policies.

FISCAL PERIOD is a unit of time (corresponding to calendar months) into which the fiscal year is divided. Period 1 is July 1st through July 31st, and so on. An extra accrual period also exists (see 13TH PERIOD).

FISCAL QUARTER is any of the four financial accounting quarters within a fiscal year. See FISCAL YEAR.

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.

FIT is Federal Income Tax.

FIXED ASSET is a long-term tangible asset that is not expected to be converted into cash in the current or upcoming fiscal year, e.g., buildings, real estate, production equipment, and furniture. Sometimes called PLANT.

FIXED ASSET INVESTMENT see TRADE INVESTMENT.

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. Sometimes called PLANT.

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

FIXED ASSETS (NET) / NET WORTH measures liquidity by comparing "fixed" assets with "fixed" capital. 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. Therefore smaller is better, i.e., greater than .75 (75%) should merit caution.

FIXED ASSET TURNOVER measures management's ability to generate revenues from investments in fixed assets. FAT considers only the firm's investment in property, plant and equipment and is extremely important in high asset firms such as manufactures and telecommunications companies. Generally, the higher this ratio:

- the smaller the investment required to generate sales, thus the more profitable the firm.
- indicates the firm has less money tied up in fixed assets for each dollar of sales revenue.

A declining ratio may indicate that the firm has over-invested in plant, equipment, or other fixed assets.

FIXED BOND pays an income stream and redemption payment at maturity than is fixed in monetary terms; however, high inflation will erode the real value of these payments.

FIXED BUDGET is a budget that is not adjusted for changes in the volume of service. See FLEXIBLE BUDGET.

FIXED CHARGE is those expenses incurred each time a batch of product is produced. Primarily consists of ordering cost for the raw material, engineering costs for machine setup and preparation for the production run, and work order processing cost; also known as SETUP COST.

FIXED CHARGE RATIO is calculated: total fixed costs/total expenses.

FIXED COST is a cost that does not vary depending on production or sales levels, such as rent, property tax, insurance, or interest expense.

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 DEPOSIT is a specific sum of money deposited in a financial institution for a fixed term earning a pre-agreed interest rate.

FIXED FEE is a set price for the completion of a project. It is easier for the customer to budget, but provides higher risk for the contractor due to cost overruns.

FIXED INCOME is any type of investment that yields a regular (fixed) payment. For example, if you borrow money and have to pay interest once a month, you have issued a fixed income security. When a company does this, it is called a bond (although 'preferred stock' is also sometimes considered to be fixed income). The term fixed income is also applied to people's income which is invariant each period. This could include income derived from fixed income investments such as bonds and preferred stocks or pensions that guarantee a fixed income. See NON-FIXED INCOME.

FIXED OVERHEAD is those costs like rent, utilities, basic telephone, loan payments, etc., that stay the same whether sales go up or down. Variable overhead, on the other hand, are those costs which vary directly with production.

FIXED EXPENSES in the operation of a business are those expenses that remain the same regardless of production or sales volume, i.e. do not fluctuate with sales volume. Contrast with VARIABLE EXPENSES.

FLAG OF CONVENIENCE (FOC) involves the opportunistic registration of ships with national governments that do not impose or effectively administer agreed international standards regarding seaworthiness, safety and health, officer and crew competencies, and employment conditions. For the

governments concerned FOC shipping is an easy way to make money. Registration comes at a price in return for turning a blind eye to maritime responsibility, decency and common sense. The classic FOC host has little to do legitimately with the sea and seafaring. For owners of FOC ships, often hidden in corporate mazes and having little to otherwise do with the registering authority, the device is a way of increasing profit margins or turning quick profits.

FLASH REPORT provides highlights of key information promptly to the responsible managerial accountant; also called EXCEPTION REPORT.

FLAT INTEREST refers to charging interest on the full original loan amount, rather than on the declining balance. With group based loans, for example, a common "interest rate" is "3% per month, flat, for 4 months". This means that a $100 principal amount lent is multiplied by 3%, and then by 4 months to come up with $12 in interest. Thus, $112 would be repaid over 4 months in equal installments.

FLAT LEASE is a lease where the cost is fixed for a specific period of time.

FLAT RATE is a per unit price that remains constant regardless of the volume purchased.

FLEXIBLE BUDGET is based upon different levels of activity. It is a very useful tool for comparing actual costs experienced to the cost allowable for the activity level achieved, i.e. it is dynamic in nature as compared to static. A series of budgets can be readily developed to fit any activity level. Flexible budgeting distinguishes between fixed and variable cost, thereby allowing for a budget that can be automatically adjusted to the level of activity actually attained.

FLOAT is 1. the time between the deposit of checks in a bank and when the amount is truly accessible; 2. the amount of funds represented by checks that have been written but not yet presented for payment. Some entities will

'play the float' by writing checks although there are insufficient funds actually on deposit to cover the checks; and, 3. to issue new securities through an underwriter.

FLOTATION COST is the percentage cost of issuing new common stock.

FLOATING RATE CONVERTIBLE NOTE (FRCN) is a debt instrument that is a short-term debt obligation where the interest rate is variable because it is linked to a market rate such as the 3-month T-bill rate or London Interbank Offer Rate (LIBOR), and conditionally allows for the note to be exercised into the security of the debtor in accordance with the conditions set forth in the debt instrument.

FLOATING RATE NOTE (FRN) is a short-term debt obligation where the interest rate is variable because it is linked to a market rate such as the 3-month T-bill rate or London Interbank Offer Rate (LIBOR).

FLOAT MANAGEMENT is to manage depository or checking accounts that do not have any returns associated with them, i.e. it is poor stewardship to leave too much money in checking accounts or other locations that do not maximize returns on that cash, i.e. do not or minimally earn interest income.

FLOOR a series of European interest rate put options used to protect against rate moves below a set strike level.

FLP is Family Limited Partnership.

FLSA is Fair Labor Standards Act.

FMLA is Family and Medical Leave Act of 1993.

FMR see FINANCING MARGIN RATIO.

FOOTING, in accounting, is the sum of a column of figures.

F.O.B. (FREE ON BOARD) is a transportation term that indicates that the price for goods includes delivery at the seller's expense to a specified point and no further. The FOB term is used with an identified physical location to determine 1) the responsibility and basis for payment of freight charges, and 2) the point a twhich title for the shipment passes from seller to buyer.The FOB location terms, Origin and Destination, may be qualified by modifiers. The modifier determines the payment of the transportation charges. Modifiers denote nothing about the title of the goods or filing of claims. The most three common modifiers are: Collect, Prepaid & Add, and Prepaid & Allow. Collect: The carrier collects the transportation charges from the buyer. Prepaid & Add: The seller prepays the transportation charges, but adds the charges to the invoice for reimbursement from the buyer .Prepaid & Allow: The seller prepays the transportation charges and they are already included in the contract price**.**

F.O.B. DESTINATION is where the seller retains title and control of goods until they are delivered and the contract of carriage has been completed. The seller selects the carrier and is responsible for the risk of transportation.

FOB POINT OF ORIGIN is where the supplier is responsible for all shipping costs to the point of having the goods loaded unto the vessel for shipment to its destination. The purchaser, from that point forward, is responsible for all further shipping costs to the point of destination, e.g., insurance, transportation, etc.

FOC see FLAG OF CONVENIENCE.

FOLIO, dependent upon application, is a. a book (or manuscript) consisting of large sheets of paper folded in the middle to make two leaves or four pages; or, b. a sheet of any written or printed material (especially in a manuscript or book); or, c. the system of numbering pages; or, d. in investments, an unstructured basket of common stock that may represent a stock index, a sector or theme, or even an actively-managed portfolio at

inception, but which may be modified by an investor or an advisor to meet the tax and spending needs of its owner. The rationale for the folio is to take advantage of diversification and the ability to realize tax losses in a separately managed account. In general, an investor will have to devote a fair amount of time to the folio or engage the services of a specialized advisor.

FOOTING is the sum of a column of figures.

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.

FORECAST is to estimate or calculate expected business results in advance. To plan the business course for the future. A document that sets down the plan. See BUSINESS PLAN, PROJECTION, BUDGET.

FOREIGN is of concern to, or concerning the affairs of, other nations (other than your own) (Example: Foreign trade or companies).

FOREIGN CURRENCY TRANSLATION is the process of restating foreign currency accounts of subsidiaries into the reporting currency of the parent company in order to prepare consolidated financial statements in the native currency of the parent company.

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.

FORENSIC ACCOUNTING provides for an accounting analysis that is suitable to a court of law which will form the basis for discussion, debate and ultimately dispute resolution. Forensic accounting encompasses investigative accounting and litigation support. Forensic accountants utilize accounting, auditing and investigative skills when conducting an investigation. Equally

critical is the ability to respond immediately and to communicate financial information clearly and concisely in a courtroom setting.

FORENSIC AUDIT is an examination of evidence regarding an assertion to determine its correspondence to established criteria carried out in a manner suitable to the court. An example would be a Forensic Audit of sales records to determine the quantum of rent owing under a lease agreement, which is the subject of litigation.

FOREX is Foreign Exchange Market. FOREX is a market in which brokers located in various parts of the world trade currencies for many nations. FOREX transactions are not traded in futures markets.

FORM 1065 (Schedule K-1) is the domestic partnership income tax return form used in the U.S.

FORM 1120 is the income tax return form used by corporations in the U.S.

FORESEEABLE is what may be reasonably anticipated.

FORMULA is a standard procedure for solving a class of mathematical problems.

FORWARD INTEREST RATE AGREEMENT is where two entities agree to a fixed interest rate in the future. If the actual rate is different than the fixed rate, one party will pay the other party the present value of the difference between the interest cash flows. Essentially the two entities are gambling on which way the interest rate of an index will change. These contracts are not traded on an established exchange but rather are private contracts between parties.

FORWARD LOOKING STATEMENTS, within the meaning of the U.S. Private Securities Litigation Reform Act of 1995, are statements made that are not historic and are thereby predictive. You can identify forward-looking statements by use of the words "believe",

"expect", "anticipate", "intend", "estimate", "assume", "project" and other similar expressions that predict or indicate future events and trends or that do not relate to historical matters. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

FORWARD PREMIUM is when a currency trade forward price is higher than its spot price.

FP, among others, means Fixed Price.

FP&A is Financial Planning and Analysis.

FRA is Forward Rate Agreement, Financial Responsibility Act, Full Retirement Age (SSA), Fiscal Responsibility Act, Federal Reimbursement Allowance, or Federal Register Act.

FRANCHISE is a legal arrangement giving rights to sell a product or service.

FRAUD is intentional deception resulting in injury to another person or entity

FRCN see FLOATING RATE CONVERTIBLE NOTE.

FREE CASH FLOW is net income plus non-cash charges to income, specifically depreciation and amortization less capital expenditures, to sustain the basic business.

FREEHOLD is a. an interest in land the duration of which is restricted to the life or lives of a particular person or persons holding it, or b. an interest in property that is unconditional and represents the broadest ownership interest recognized by law.

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 is the charge for transporting something by common carrier.

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.

FREIGHT OUT is the handling, packaging, and shipping costs of product; normally considered a selling cost.

FREQUENCY, in advertising, is the number of times you hope to reach your target audience through your advertising campaign.

FRESH START ACCOUNTING, upon emergence from bankruptcy, the consolidated financial statements of the "Successor Company" apply the provisions of fresh start accounting in accordance with Generally Accepted Accounting Principles (GAAP). Under fresh start accounting, a new reporting entity, the "Successor Company", is deemed to be created, and the recorded amounts of assets and liabilities are adjusted to reflect their fair value. As a result, the reported historical financial statements of the "Predecessor Company" generally are not comparable to those of the "Successor Company".

FRF is an acronym for French Francs.

FRIENDLY TAKEOVER consists of a straight buyout of a company, and happens all the time. The shareholders receive cash or (more commonly) an agreed-upon number of shares of the acquiring company's stock.

FRINGE BENEFIT an incidental benefit awarded for certain types of employment (especially if it is regarded as a right) (Example: employer supplied health insurance or two weeks paid vacation per year).

FRN see FLOATING RATE NOTE.

FRR see FINANCIAL REPORTING RELEASE.

FRS is Federal Reserve System or Financial Reporting Standard.

FRS 11 sets out the principles and methodology for accounting for impairments of fixed assets and goodwill. It replaces the previous approach whereby diminutions in value were recognized only if they were regarded as permanent. Instead, the carrying amount of an asset is compared with its recoverable amount and, if the carrying amount is higher, the asset is written down.

FRS 19 is a deferred tax standard. In summary:

A. Deferred tax is provided on timing differences relating to:
- accelerated capital allowances and depreciation
- accruals for and payments of pension and other post retirement benefits
- the elimination of unrealized intra group profits
- unrelieved tax losses
- "fair value revaluations" that are taken annually to the profit and loss account
- other short-term timing differences

B. Deferred tax is not provided on timing differences relating to:

- other fixed asset revaluations, where there is no intention to sell
- gains that are rolled over
- unremitted overseas earnings, where there is no intention to remit.

The FRS 19 Standard also includes further, detailed measurement and disclosure rules.

FSA has several possible meanings, e.g. Flexible Spending Account (employee benefit offered by some companies) or Funding Standard Account.

FULL ABSORPTION COSTING see ABSORPTION COSTING.

FULL CHARGE BOOKKEEPER is someone who can do it all - including compiling the data into the General Ledger and preparing financial statements.

FULL COSTING see ABSORPTION COSTING.

FULL COST RECOVERY is adjusting fees/prices for goods/services to where all cost of operations and maintenance are covered for supplying the given goods or services.

FULL CYCLE ACCOUNTING see ACCOUNTING CYCLE.

FULL DISCLOSURE, generally, is the requirement to disclose all relevant or material facts to a transaction.

FULLY DEPRECIATED is when an asset has already been charged with the maximum amount of depreciation allowed by the taxing authority for accounting purposes.

FUNCTIONAL-BASED ACCOUNTING focuses on organizational units such as departments and plants, uses financial outcome measures and static standards and benchmarks to evaluate performance, and emphasizes status quo and organizational stability. On the other hand, activity-based accounting focuses on processes, uses both operational and financial

measures and dynamic standards, and emphasizes and supports continuous improvement. Activity-based accounting adds a process perspective.

FUNCTIONAL CURRENCY, generally, is the currency of record for any given entity. Within the context of foreign currency, it is the currency which a foreign subsidiary handles on a day-to-day basis in generating net cash flows. It is normally the currency of the country in which the subsidiary operates, but may be the currency of the parent company.

FUND is a pool of money normally set apart for a purpose, for example, a pension fund to provide pensions.

FUND ACCOUNTING is a method of accounting and presentation whereby assets and liabilities are grouped according to the purpose for which they are to be used. Generally used by government entities and not-for-profits.

FUNDAMENTAL ANALYSIS is a method used to evaluate the worth of a security by studying the financial data of the issuer. Performing fundamental analysis will teach you a lot about a company, but virtually nothing about how it will perform in the stock market. Apply this analysis on two competing companies or in comparisone to its industry and it becomes clearer which the best investment choice is. See FUNDAMENTALS.

FUNDAMENTALS are factors which are "fundamental" to the working of a company's business, its profitability, operating costs, product prices, technical innovations, etc. Company analysis taking into account these fundamental factors facilitates share valuation. See FUNDAMENTAL ANALYSIS.

FUND BALANCE is when liabilities are subtracted from assets, there is a fund balance. A positive fund balance means there are more assets than liabilities; a negative fund balance means just the opposite. Fund balance can be complicated by the fact that part of the fund balance is reserved and part unreserved. The difference between reserved and unreserved is that the

unreserved can potentially be authorized for future expenditures while the reserved cannot. Additionally, the fund balance is a residual and not necessarily a cash amount.

FUNDED DEPRECIATION ACCOUNT is a reserve setup to cover the replacement cost of those capital assets covered within the depreciation schedule.

FUND MANAGEMENT is the professional, in many cases regulated, caretaker of client assets for a fee. Dependent upon type of fund, the fund may be authorized to put assets within the fund at risk in the pursuit of profits for the asset owners (clients).

FUNDS EMPLOYED, normally, is the average of Net Working Capital plus Fixed Assets held at the beginning and end of the financial year.

FUNDS FLOW is the funds generated from operations; normally expressed as 'cash flow from operations' or 'working capital from operations'.

FUNDS TRANSFER is money that is withdrawn from one account and transferred into a different account. See also ELECTRONIC FUNDS TRANSFER.

FUND THEORY views the organization as a series of funds or sub-funds represented by various services or departments.

FUTA see FEDERAL UNEMPLOYMENT TAX ACT.

FUTURES are contracts to buy or sell specific quantities of a commodity or financial instrument at a specified price with delivery set at a specified time in the future.

FUTURE VALUE is the amount of money that an investment made today (the present value) will grow to by some future date. Since money has time value, we naturally expect the future value to be greater than the present

value. The difference between the two depends on the number of compounding periods involved and the going interest rate.

FX ACCOUNT (Foreign Exchange Account) is a trading account usually based in foreign currencies.

FYE is For Year Ending.

GAAP is Generally Accepted Accounting Principles or Generally Accepted Accounting Procedures (less common). 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.

GAIN is: a. the amount by which the revenue of a business exceeds its cost of operating; b. rise in rate or price; c. earn on some commercial or business transaction; d. earn as salary or wages.

GAO is the investigative arm of the United States Congress charged with examining matters relating to the receipt and payment of public funds.

GARBAGE IN, GARBAGE OUT (GIGO) is an often used computer and software industry saying meaning that if the data going into a system is suspect, the resulting data output will be suspect.

GARNISH is to take a debtor's wages under a legal order, e.g. for child support or an IRS tax liability.

GASB stands for Government Accounting Standards Board. The GASB is a nonprofit organization responsible for establishing and improving accounting and financial reporting standards for governmental units.

GASB 34 is Government Accounting Standards Board Statement 34. GASB 34 provides the broadest changes in government accounting practices since the inception of Generally Accepted Accounting Practice (GAAP) for governmental agencies dating back to the 1930s. The principal change that GASB 34 requires of government entities is the reporting of the value of capital assets on Consolidated Annual Financial Reports (CAFR).

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).

GBP is United Kingdom Pound Sterling (Currency Code).

GDP see GROSS DOMESTIC PRODUCT.

GEARING is the proportion of the *capital employed* of a company that is financed by lenders rather than shareholders.

GEARING RATIO measures the percentage of capital employed that is financed by debt and long term financing. The higher the gearing, the higher the dependence on borrowing and long term financing. Whereas, the lower the gearing ratio, the higher the dependence on equity financing. Traditionally, the higher the level of gearing, the higher the level of financial risk due to the increased volatility of profits. Financial manager face a difficult dilemma. Most businesses require long term debt in order to finance growth, as equity financing is rarely sufficient, on the other hand, the introduction of debt and gearing increases financial risk. A high gearing ratio is positive; a large amount of debt will give higher return on capital employed but the company dependent on equity financing alone is unable to sustain growth. Gearing can be quite high for small businesses trying to become established, but in general they should not be higher than 50%. Shareholders benefit from gearing to the extent that return on the borrowed money exceeds the interest cost so that the market value of their shares rise.

GENERAL ACCOUNTING involves the basic principles, concepts and accounting practice, recording, financial statement preparation, and the use of accounting information in management.

GENERAL EXPENSE is expense not directly connected with any single department.

GENERAL JOURNAL is the most basic of journals. It is a chronological list of transactions. It has a very specific format for recording each transaction. Each transaction is recorded separately and consists of: 1.) a date; 2.) any and all accounts to receive a debit entry are listed first with an amount in the appropriate column, then; 3.) any and all accounts to receive a credit entry are indented and listed next with an amount in the appropriate column; 4.) a clear description of the transaction. At least one line is then skipped to visually separate recorded transactions.

GENERAL LEDGER see LEDGER.

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) is a recognized common set of accounting principles, standards, and procedures.

GAAP is a combination of accepted methods of doing accounting and policy board set authoritative standards.

GENERALLY ACCEPTED AUDITING STANDARDS (GAAS), in the US, are the broad rules and guidelines set down by the Auditing Standards Board of the American Institute of Certified Public Accountants (AICPA). In carrying out work for a client, a certified public accountant would apply the generally accepted accounting principles (GAAP); if they fail to do so, they can be held to be in violation of the AICPA's code of professional ethics.

GENERAL LEDGER is the ledger that contains all of the financial accounts of a business; contains offsetting debit and credit accounts (including control accounts).

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

GEOGRAPHICAL SEGMENT is a component of an enterprise that (a) provides products and services within a particular economic environment and (b) that is subject to risks and returns that are different from those of components operating in other economic environments.

GFOA is Government Finance Officers' Association.

GI, among others, is an acronym for: Government Issue, General Increase, General Information, or General Issue.

GIFTS-IN-KIND are non-cash gifts of tangible or intangible property. Tangible property can fall into two distinct categories, and its value is derived from its physical existence: 1. objects, such as equipment, software, automobiles, printed materials, etc.; or, 2. services, such as providing photography services. Intangible personal property is property whose value stems from intangible elements, e.g. patents and copyrights.

GILT is a bond issued by the UK government. Gilts are equivalent to a U.S. Treasury security.

GLOBAL BOND is a bond issued and traded outside the country whose currency it is denominated in, and outside the regulations of a single country; usually a bond issued by a non-European company for sale in Europe; also called Eurobond.

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.

GLOBAL FUND is a (mutual) fund that can invest in companies located anywhere in the world, including the home country, e.g. the United States. Whereas, an International Fund is a (mutual) fund that can invest only outside the home country.

GLOBALIZATION is the name for the process of increasing the connectivity and interdependence of the world's markets and businesses. In its literal sense, globalization is a social change, an increased connectivity among societies and their elements due to transculturation; the explosive evolutions of transport and communication technologies to facilitate international cultural and economic exchange are examples of globalization.

GMP is either Good Manufacturing Practice(s) or Gross Maximum Price.

GMROI is an acronym for Gross Margin Return On Investment (retail).

GNP see GROSS NATIONAL PRODUCT.

GOAL is the milestone the organization aims to achieve that evolves from strategic issues or operational improvement planning. They transform strategic issues into specific performance targets that impact the entire organization, or operational improvement that is more localized in nature. They can be qualitative or quantitative. Dependent upon usage, GOALS are general in nature, while OBJECTIVES are specific, measurable and time-based. In some organizations, the meanings for GOAL and OBJECTIVE are reversed.

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.

GOING CONCERN CONCEPT is the underlying assumption that any accountant makes when he prepares a set of accounts. That the business under consideration will remain in existence for the foreseeable future.

GOING CONCERN PRINCIPLE assumes that the accounting entity will maintain proper accounting records from the date of its establishment to the date of its liquidation.

GOING PUBLIC refers to those activities that relate to offering a private company's shares to the general investing public including registering with the SEC.

GOING RATE is an expression that means the cost of the average of suppliers of like products or services. The connotation is that the cost will be "no more expensive than the competition."

GOLDEN RULES OF ACCOUNTING are: 1. Debits ALWAYS EQUAL Credits; 2. Increases DO NOT NECESSARILY EQUAL Decreases; and, 3. Assets - Liabilities = Owner's Equity (The Accounting Equation).

GOODS, generally, is cargo shipped by land, sea or air. In asset-based finance, the term goods refers to equipment or inventory.

GOODS RECEIVED NOTE is a document produced when goods are received into the company/factory. It will usually accompany goods to any inspection and is used to check against invoices before payment.

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. There are a number of methods for valuing goodwill: a. Simple Capitalization - The net profit of the business is capitalized to determine the total value of the business. The value of all the tangible assets is subtracted from the total value to establish the value of the intangible assets, or goodwill. b. Excess Earnings - the amount of earnings that are in excess of those normally earned by a similar business are capitalized to determine the value of goodwill. c. Income Tax Method - The past five years net income is averaged and a reasonable expected rate of return for tangible assets and salary requirements are subtracted. The resulting value is then capitalized to arrive at the goodwill value. d. Market Value - The price a willing seller would accept and a willing buyer would pay for goodwill. e. Buy /Sell Agreement - The value of goodwill is established by a formula in the buy/ sell agreement. f. Rule of Thumb - Goodwill is worth one years gross income.

GOVERNMENT ACCOUNTABILITY OFFICE (GAO) is the organization in the U.S. Congress that investigates the performance of the federal government. GAO evaluates the use of public funds and the performance of federal programs, while also providing analytical, investigative and legal services in order to support to Congress in its policy formulation and decision making processes. Most GAO reports are initiated at the request of Congress, while some are initiated by the agency itself or are required by law.

GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) is a nonprofit organization responsible for establishing and improving accounting and financial reporting standards for governmental units.

GOVERNMENT PROVISION OF DEPOSIT INSURANCE affects banks' demands for deposits and households' (and others') supply of deposits to banks. The banking industry models deposit insurance premiums that banks pay as a fixed share of deposits. As is the case for many government subsidies, the government subsidies attributable to the under-pricing of deposit insurance are likely to be shared with depositors (and bank customers more generally) because that subsidy lowers the cost of providing that insurance. In response to the subsidy, banks raise the deposit interest rates that they pay. In doing so, banks transfer some of the government subsidy to depositors.

GRACE PERIOD is the period of time between your statement date and the due date, i.e. it is the time period stipulated in most loan contracts and insurance policies during which a late payment will not result in penalties, default or cancellation.

GRADUATED TAX see PROGRESSIVE TAX.

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

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

GREEN BOOK is a publication entitled U.S. Overseas Loans and Grants and Assistance from International Organizations. This data, which is grouped by country and geographic region, includes assistance from USAID, military assistance, P.L. 480, Export-Import Bank, etc. from 1945 to the last completed fiscal year.. This publication is released shortly after the Congressional Presentation is distributed.

GREEN SHOE OPTION is a clause contained in the underwriting agreement of an initial public offering (IPO). The green shoe option, which is also often referred to as an over-allotment provision, allows the underwriting syndicate to buy up to an additional 15% of the shares at the offering price if public demand for the shares exceeds expectations and the stock trades above its offering price.

GROSS is: a. the entire amount of income before any deductions are made; or, b. any total amount before any deductions (examples: gross income or gross labor).

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 DEBT, generally, is the sum total of an entities debt obligations. In corporate finance, it is usually comprised of debt financing, irrespective of its maturity, i.e. medium and long-term (various borrowings due in more than one year that have not yet been repaid) and short-term bank or financial borrowings (portion of long-term borrowings due in less than one year, discounted notes (same technique as discounting of bills of exchange), bank overdrafts, etc.).

GROSS DOMESTIC PRODUCT (GDP) is the value of all the goods and services produced by workers and capital located within a country (or region), such as the United States, regardless of nationality of workers or ownership. Domestic measures relate to the physical location of the factors of production; they refer to production attributable to all labor and property

located in a country. The national measures differ from the domestic measures by the net inflow -- that is, inflow less outflow -- of labor and property incomes from abroad. Gross Domestic Product includes production within national borders regardless of whether the labor and property inputs are domestically or foreign owned.

GROSS INCOME see GROSS PROFIT.

GROSS MARGIN is the ratio of gross profit to sales revenue. (sometimes used as a synonym for gross profit). For a manufacturer, gross margin is a measure of a company's efficiency in turning raw materials into income; for a retailer it measures their markup over wholesale. GROSS MARGIN is gross income divided by net sales, expressed as a percentage.

GROSS NATIONAL PRODUCT (GNP) is the total dollar value of all final goods and services produced for consumption in society during a particular time period. The GNP does include allowances for depreciation and indirect business taxes such as those on sales and property. Gross national product is the output of labor and property of US nationals regardless of the location of the labor and property. Gross National Product includes income earned by the factors of production (assets and labor) owned by a country's residents but excludes income produced within the country's borders by factors of production owned by nonresidents.

GROSS NEGLIGENCE is any action or an omission in reckless disregard of the consequences to the safety or property of another. Sometimes referred to as "very great negligence" and it is more then just neglect of ordinary care towards others or just inadvertence. Also known as the Latin term culpa lata.

GROSS PAY is employee salary prior to the application of taxes and other deductions.

GROSS PROFIT is net sales minus cost of sales.

GROSS PROFIT MARGIN ANALYSIS indicates what the company's pricing policy is and what the true mark-up margins are. Calculated by: Revenue - Cost of Goods Sold / Revenue. See GROSS PROFIT MARGIN ON SALES for more in-depth definition.

GROSS PROFIT MARGIN ON SALES (GPM) is one of the key performance indicators. The gross profit margin gives an indication on whether the average markup on goods and services is sufficient to cover expenses and make a profit. GPM 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. The gross profit margin should be stable over time. A persistent gradual decrease is likely to indicate that productivity needs to be increased to return profitability back to previous levels.

GROSS PROFIT METHOD is an inventory estimate based on gross margin.

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

GROSS REVENUE is income (at invoice values) received for goods and services over some given period of time. See also GROSS SALES.

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

GROSS SURPLUS RATIO measures the margin on each dollar of operating revenue for the entity in question. The operating results before interest and depreciation, or gross surplus, are calculated as a percentage of total operating revenue. The gross surplus ratio shows the gross surplus as a percentage of the entity's turnover. If the percentage is high this could be interpreted as a sign that the entity is operating efficiently.

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

GROUP is a number of individual companies assembled together; often having some unifying relationship.

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

GUARANTEE see WARRANTY.

GUARANTEE DEPOSIT see SELLER GUARANTEE DEPOSIT.

GUIDANCE, in corporate finance, is information that a company provides as an indication or estimate of their future earnings; sometimes known as "earnings guidance".

GULL is Georgetown University Legal Library; important resource for sales tax information.

HARD ASSETS are physical assets (land, buildings, equipment) and financial assets (cash, credit, financial instruments). Hard assets are usually on the

records of account in an organization and subjected to inventory and/or custodial safeguards. See also SOFT ASSETS.

HARD COSTS is the purchase price of actual assets. For example, the purchase price of a new printing press would be the hard cost. The soft costs are additional fees for items like factoring-invoiced installation, prepaid and extended warranties, or service contracts for the new equipment.

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.

HEADCOUNT is the act of counting people in a certain way or in a particular group.

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.

HEALTHY, from a corporate perspective, usually means that the subject entity is financially secure, positioned well within the market and functioning well.

HEDGE, in securities, is a transaction that reduces the risk of an investment.

HEDGE FUND is a special type of investment fund with fewer restrictions on the types of investments it can make. Of note is a hedge fund's ability to sell short. In exchange for the ability to use more aggressive strategies, hedge funds are more exclusive, i.e., fewer people, usually only the wealthy, are allowed to invest in hedge funds.

HEDGING is strategy focused upon reducing exposure to risk of loss resulting from fluctuations in exchange rates, commodity prices, interest rates etc. Hedging in securities is taking two positions that will offset each other if prices change, thereby limiting financial risk.

HELD TO MATURITY normally refers to a long term security (note or bond held for more than one year) that has a predetermined maturation event.

HI is Health Insurance.

HIDDEN ASSET is any valued asset that is not included in the book value of a company. Companies have hidden assets such as intellectual property, or customer lists which are of great value, but not reflected in the book value.

HIGH CREDIT is the most a debtor has ever charged with any one creditor.

HIGH-LOW METHOD of approximating cost behavior considers only two points of data, the highest and lowest, for activity within the relevant range. The method first focuses on cost changes, allowing an analyst to determine the presence of any variable cost. Next, fixed costs are determined by subtracting variable cost from the total cost at either of the two data points. The calculation is an algebraic procedure used to separate a semi-variable cost into the variable and fixed components. The method calls for using the extreme data points (highest and lowest x - y pairs) in the COST-VOLUME FORMULA y = a + bx; where a = fixed cost portion and b = the variable rate.

HIGH-YIELD DEBT is a business term referring to a corporate debt instrument (non-investment grade or junk bond), that has a higher yield (compared to investment grade debt) because of a high perceived credit risk (default risk). See also JUNK BOND.

HIRE AND PURCHASE AGREEMENT is a contract (more fully called contract of hire with an option of purchase) in which a person hires goods for a specified period and at a fixed rent, with the added condition that if he shall retain the goods for the full period and pay all the installments of rent as they become due the contract shall determine and the title vest absolutely in him, and that if he chooses he may at any time during the term surrender the goods and be quit of any liability for future installments upon the contract. In the United States such a contract is generally treated as a

conditional sale, and the term hire purchase is also sometimes applied to a contract in which the hirer is not free to avoid future liability by surrender of the goods. In England, however, if the hirer does not have this right the contract is a sale.

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.

HISTORICAL COST CONVENTION is that assets are recorded at their initial cost and are not subsequently revalued upwards, and liabilities valued at the amount initially received in exchange for the obligation. The relevance of the convention is that figures remain objectively based on verifiable figures, but in times of high inflation historical cost can become a dubious convention to follow.

HISTORICAL EXCHANGE RATES are just that: The historical data on currency exchange rates.

HOLDBACK is a portion of a construction loan that is not funded until the subject project is nearing completion, or the borrower has satisfied certain contractual performance requirements, such as leasing a majority of the space in the building. The amount held back is often equal to the construction firm's projected profit when the building is completed.

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.).

HORIZONTAL COMBINATION is a business combination of companies with similar functions in the production or sale of comparable products.

HORIZONTAL FINANCIAL ANALYSIS allows comparison of one company's ratios to the ratios of other companies as well as to average industrial ratios and internal industrial deviation of these ratios.

HOSTILE TAKEOVER occurs when a company attempts to buy out another whether they like it or not. A hostile takeover can occur only through publicly traded shares, as it requires the acquirer to bypass the board of directors and purchase the shares from other sources. This is difficult unless the shares of the target company are widely available and easily purchased (i.e., they have high liquidity). A hostile takeover may presage a corporate raid.

HUMAN CAPITAL is the unique capabilities and expertise of individuals that are productive in some economic context.

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.

IAS is Institute of Asset Management (UK).

IAS see INTERNATIONAL ACCOUNTING STANDARDS.

IASB see International Accounting Standards Board.

IASC is International Accounting Standards Committee.

IAW is In Accordance With or In Agreement With.

IBA, among others, can mean: Individual Brokerage Account, Individually Billed Accounts, Institute of Business Appraisers, International Bar Association, or, International Business Advisors.

IBER is Institute of Business and Economic Research (University of California) or International Business Ethics Review.

IBNR is Incurred But Not Reported.

IDENTIFIABLE ASSETS and LIABILITIES are those assets and liabilities of a business that can be disposed of without disposing of the entire business. It includes both tangible and intangible assets.

IDLE TIME is unproductive time caused by, e.g., machine breakdowns, shortages of material or inefficient scheduling. The cost of idle time is usually classified as an indirect rather a direct cost.

IFRS see INTERNATIONAL FINANCIAL REPORTING STANDARDS.

ILLIQUID is when cash flows generated by the firm are insufficient to meet the debt service. When speaking of money or an economy: being very liquid means it is driven by primarily by cash, checking/saving accounts, treasury bills, stocks and bonds, etc; while being very illiquid means it is driven primarily by human capital.

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

IMAD, dependent upon usage, is Input Messaging Accountability Data: A time stamp that is assigned to a Fedwire message when it is processed by the Federal Reserve Bank Funds Transfer application; or, Information Management Assimilation & Delivery; or, Industrial Management and Distribution System.

IMMATERIALITY is of complete irrelevance requiring no further consideration.

IMMOVABLE is a. not able to be moved or changed; or, b. assets consisting of land, buildings, or other permanent items.

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. See IMPAIRMENT OF VALUE.

IMPAIRED GOODWILL is the recognition of the reduction in value of the intangible asset known as goodwill.

IMPAIRMENT see FRS 11.

IMPAIRMENT OF VALUE is the permanent decline in the value of an asset. The entry is to debit the loss account and credit the asset for the loss in utility. See also FRS 11.

IMPERSONAL ACCOUNTS represents accounts other than Personal Accounts. This may be sub-classified into: a. Real Accounts, e.g. Asset Account; and, 2. Nominal Accounts, e.g. Income and Expenditure Accounts.

IMPERSONAL LEDGER see LEDGER.

IMPLICIT RATE OF INTEREST is when the stated interest rate is not indicative of the market rate at the time a note is negotiated, the value of the asset (cash or non-cash) or service exchanged for the note establishes the market rate.

IMPOSE is to set forth authoritatively as obligatory by rule or by law, e.g. budgetary constraints imposed upon the U.S. Congress.

IMPOSTA VALORE AGGIUNTO TAX (IVA TAX), in Italy, like most other European countries, Italy imposes a value added tax (VAT) on most goods and services purchased in the country. In Italy, the value added tax is known as the Imposta sul Valore Aggiunto or IVA. This tax is normally included or built into the price of most goods and services. The general rate of tax is 19% of the sale price.

IMPREST see PETTY CASH.

IMPREST BASIS, in cash accounts, means that the exact amount of fund expenditures is replaced periodically.

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.

INBR see INCURRED BUT NOT REPORTED; could also mean Insurance Broker.

INCLUDIBLE COMPENSATION is defined in section 403(b)(3) of the Internal Revenue Service (IRS) Code as compensation, received from a qualifying employer by an employee, which is includible in the employee's gross income for the most recent period which may be counted as 1 year of service. In this connection, section 1.403(b)-1(e)(1) of the regulations provides that for purposes of computing an employee's exclusion allowance for a taxable year, such employee's includible compensation in respect of such taxable year means the amount of compensation which is includible in his gross income.

INCOME is the amount of money or its equivalent received during a period of time in exchange for labor or services, from the sale of goods or property, or as profit from financial investments.

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.

INCOME GEARING RATIO is Interest Expense / Operating Profit.

INCOME SMOOTHING refers to measures taken to reduce the probability of income shocks before they occur, and includes strategies like diversifying income sources; making low-risk production and employment choices; building up physical, human, and social assets; and ensuring good financial management.

INCOME STATEMENT see PROFIT AND LOSS STATEMENT.

INCOME SUMMARY ACCOUNT is the account in the general ledger used to summarize the revenue and expenses for the fiscal period.

INCOME TAX is a tax paid on money made or profit realized from employment, business, or capital.

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

INCOME THEORIES try to identify the real profit of an organization. The difficulty here is that you need to define whose income you are measuring,

and that limiting income measurements to things that can be given a price devalues goods and services that are difficult or impossible to price.

INCOMPETENCE is lack of physical or intellectual ability or qualifications.

INCORPORATED is a legal entity that has undergone incorporation through approval by a state government.

INCORPORATION is a legal process through which a company receives a charter and the state in which it is based allows it to operate as a corporation.

INCREMENTAL is increasing gradually by regular degrees or additions.

INCREMENTAL COST is the increase or decrease in costs as a result of one more or one less unit of output.

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.*

INCUR is acquiring or getting into something undesirable or making oneself subject to; bring upon oneself; become liable to, e.g. to incur a cost or debt.

INCURRED BUT NOT REPORTED (IBNR), in insurance, losses occurring over a specified period that have not been reported to the insurer. IBNR losses are often calculated as a percentage of claims paid and claims outstanding and are reported in an insurer's annual report. Reinsurers establish IBNR reserves as a part of their rating plans under a facultative reinsurance treaty, lest an overly optimistic view of treaty results lead to further under-rating on a book of business. Example: Product liability losses are seldom reported during a policy year. This "tail" of claims will upset any rating plan, unless an IBNR reserve is established and factored into the profit picture.

INDEFEASIBLE not liable to being annulled or voided or undone, usually in reference to an interest in real property (e.g., an indefeasible ownership interest in a piece of property).

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.

INDEX-LINKED BOND provides a secure investment in real terms, as the coupon payments and the redemption proceeds are linked to movements in the RPI (the Retail Prices Index).

INDEX STOCK is a security listed on a stock index. See STOCK INDEX.

INDIFFERENCE CURVE, in microeconomics, an indifference curve is a graph showing combinations of two goods to which an economic agent (such as a consumer or firm) is indifferent, that is, it has no preference for one combination over the other.

INDIFFERENCE POINT is that point on the indifference curve where the compared values intersect. See INDIFFERENCE CURVE.

INDIRECT COST is that portion of cost that is indirectly expended in providing a product or service for sale (cannot be traced to a given cost object in an economically feasible manner) and is included in the calculation of COST OF GOODS SOLD, e.g. rent, utilities, equipment maintenance, etc. Opposite of direct cost.

INDIRECT SHAREHOLDING is when one entity directly holds shares of another entity that owns shares of a third but different entity, for example, Shareholder A would have an indirect shareholding of Company C if Shareholder A directly owns shares of Company B while Company B owns shares of Company C.

INDUCEMENT is a reward for a specific behavior, designed to encourage that behavior; also called incentive. To provide the first months rent free would be a "lease inducement".

INDUCTIVE ACCOUNTING THEORY (scientific method) assumes accounting standards are somewhat like evolution of a species in nature --- survival of the fittest. It relies heavily upon controlled experimentation (e.g., behavioral accounting research) and statistical testing (e.g., capital markets "events" studies of the impact of accounting information on market prices and volume of transactions).

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

INDUSTRY is the people or companies engaged in a particular kind of commercial enterprise.

INDUSTRY ANALYSIS includes, but is not limited to: a. Definition of the industry; b. Industry Life Cycle - growth, maturity or decline; c. Industry History - how old is the industry; d. In-depth historical financial performance ratio analysis; e. Industry Trends - cyclical or seasonal, increased competition etc.; f. Industry Influential Factors - does economy, government, or competition effect industry; g. Primary Competitors along with entry risk and barriers to entry; and, h. Projected Industry Sales - total sales in the industry.

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.

INFLATION ADJUSTMENT is whenever any figure is adjusted for inflation/deflation. It simply means that all fluctuations in price (upward or downward) that are directly attributable to inflation/deflation are reflected into that figure through either adding or subtracting the amount that is directly caused by inflation/deflation.

INFORMATION / INFORMATIONAL RETURN is one of many returns that only communicates to the Internal Revenue Service information relevant to tax liability and does not compute the actual liability of any taxpayer or accompany the actual payment of tax; used for sale of property, dividends, and others (e.g., W-2 and Forms 1099).

INFORMATION THEORY is a branch of mathematics that overlaps into communications engineering, biology, medical science, sociology, and psychology. The theory is devoted to the discovery and exploration of mathematical laws that govern the behavior of data as it is transferred, stored, or retrieved.

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

INHERENT RISK, generally, it is the risk found in the environment and in human activities that is part of existence. In accounting, it is the susceptibility of an audit area to error which could be material, individually or in combination with other errors, assuming that there are no related internal controls.

INITIAL TERM is normally the first time period covered under an agreement or contract (the Term) at the end of which the agreement will either terminate or be automatically renewed under set conditions (Renewal Term), e.g. a one year contract.

INITIATE is to set going by taking the first step, e.g., initiate contract negotiations.

IN-KIND is the value of goods or services provided for which money would have otherwise been paid.

INPUT VAT is the VAT on a company's input supplies. See also VALUE ADDED TAX (VAT).

INSERTION ORDER, in marketing, is an agreement that specifies aspects related to an advertising campaign.

INSIDE INFORMATION is the information which the company temporarily withholds and has not been released to the public at large, and which is intended for use solely for a corporate purpose and not for any personal use.

INSIDERS are all persons who come into possession of material inside information before its public release. In securities, insiders are such persons who are controlling shareholders, directors, officers, managers and employees, including spouse, parents, siblings and those under the control of insiders as well as persons induced by such persons who come into possession of material inside information.

INSIDER TRADING is the trading, primarily of securities, by management or others who have special access to unpublished information. If the information is used to illegally make a profit, there may be large fines and possible jail sentences.

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

INSTALLATION is 1. the act of installing something (as equipment); or, 2. a building or place that provides a particular service or is used for a particular industry.

INSTALLEMENT AGREEMENT see INSTALLMENT SALE.

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. As the seller, unless you elect out, you will report the gain

on that transaction as you receive it through the series of payments. As the buyer, you will usually pay interest on the unpaid balance.

INSURABLE EARNINGS, as it pertains to unemployment insurance, is the total amount of earnings that an insured person has from insurable employment: a. the total of all amounts, whether wholly or partly paid in legal tender, received or enjoyed by the insured person that are paid to the person by the person's employer in respect of that employment, and b. the amount of any gratuities that the insured person is required to declare under tax legislation.

INSURANCE CLAIM is a written notification to an insurance company requesting payment of an amount due under the terms of the policy.

INTANGIBLE ASSET is an asset that is not physical in nature. Examples are things like copyrights, patents, intellectual property, or goodwill. An intangible asset is the opposite of tangible asset.

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

INTEGRATED FINANCIAL MODEL is normally a spreadsheet based financial model that integrates all projected revenues and costs from all activity into financial performance pro-forma projections over time. Dependent upon the complexity of the model, the output can be at a very high level (non-complex) to highly granular output (higher degree of complexity).

INTEGRATED LEDGER see ENTERPRISE RESOURCE PLANNING.

INTELLECTUAL CAPITAL Intellectual capital bundles knowledge resources (how the 'production functions", that is the constellation of employees, users,

processes and technologies, work). Intellectual capital enables a company to make a difference to users via its knowledge resources.

INTELLECTUAL CAPITAL STATEMENT (ICS) provides: a. Insights into the user's situation (= the customers situation); b. Insight into the colleague's skills and improvements of teamwork; c. Insight in the practical skills e.g. craftsmanship: from knowing how to develop and improve production methods to be capable of handling information technology etc.; d. Insights in the know-how represented in the company's processes and systems and how these can be used to improve the quality of products or services; e. Insight in the motivation or commitment as regards the further development of the company's products and services; f. Insight in the future needs for knowledge; g. Insight in the skills, competencies and qualification that can make a difference to the company.

INTELLECTUAL PROPERTY is intangible property that is the result of creativity, e.g. patents, trademarks or copyrights.

ITEMIZED DEDUCTIONS is amounts paid by an individual taxpayer for personal and quasi-business expenses that can be deducted in computing taxable income, such as medical expenses, property and income taxes, mortgage and investment interest, charitable contributions, moving expenses, casualty and theft losses, and certain miscellaneous expenses. See STANDARD DEDUCTIONS.

ITEMIZED STATEMENT is a record or transmittal that details product or services rendered and the costs incurred and payments received.

INTENSITY DRIVERS are used to directly charge for the resources used each time an activity is performed.

INTERCOMPANY or INTERCORPORATE means occurring between companies.

INTEREST, in law, is a right or legal share of something or a financial involvement with something; in finance, it is a fixed charge for borrowing money; usually a percentage of the amount borrowed.

INTEREST-BEARING means paying interest.

INTEREST COVERAGE is a ratio which indicates the ability of a company to cover net interest expenses with income before net interest and taxes. It is calculated by dividing income before interest and taxes by interest.

INTEREST EARNINGS is amounts from interest on all interest-bearing deposits and accounts; accrued interest on investment securities sold; interest on funds held for construction; and interest related public debt for private purposes. Excludes interest on deposits and investments of employee retirement and other insurance trust funds; dividends from investments; accrued interest on bonds issued by the government; recorded profits on sale of investments; and accrued interest on the purchase of investments.

INTERESTED PARTY is any person that has a real and direct interest in any proceeding or action being proposed or taken.

INTEREST EXPENSE is the cost of borrowing funds in the current period. It is shown as a financial expense item within the income statement.

INTEREST PAYABLE see PAYABLE.

INTEREST RATE is the rate of interest charged for the use of money, usually expressed as an annual rate. The rate is derived by dividing the amount of interest by the amount of principal borrowed. For example, if a bank charged $100 a year to borrow $1,000, the interest rate would be 10%. Interest rates are quoted on bills, notes, bonds, credit cards and many kinds of consumer and business loans. Rates in general tend to rise with inflation and in response to the Federal Reserve raising key short-term rates. A rise in interest rates has a negative effect on the stock market because investors

can get more competitive returns from buying newly issued bonds instead of stocks. It also hurts the secondary market for bonds because rates look less attractive compared to newer issues.

INTEREST RATE SWAP (IRS) is a contractual arrangement between two counter-parties who agree to exchange interest payments on a defined principal amount for a fixed period of time.

INTEREST RATE SWAPTION is an option on an interest rate swap. It gives the holder the right but not the obligation to enter into an interest rate swap at a specific date in the future, at a particular fixed rate and for a specified term.

INTERFUND LOAN is an authorized (usually) short term loan from one fund to another.

INTERIM AUDIT is an audit conducted during the fiscal year usually as a means of minimizing the work and time involved in concluding the audit after the fiscal year. A corporation might have an interim audit covering the first nine months of the fiscal year so that at the end of the fiscal year most of the auditing will focus on the last three months of the fiscal year thus allowing for a comprehensive audit and early completion of the audit reports. An interim audit does not usually yield any formal reports from the external auditors.

INTERIM DIVIDEND is the declaration and payment of a dividend prior to annual earnings determination.

INTERIM EARNINGS see INTERIM STATEMENT.

INTERIM STATEMENT is a financial report covering only a portion of a fiscal year (prepared by accountants, but usually unaudited). Quarterly statements from publicly traded companies are one example of an interim statement. Interim statements are not as detailed or as exact as annual statements.

INTERMEDIARY is the person or institution empowered to be the intermediary in making investment decisions for others. Examples: banks, savings and loan institutions, insurance companies, brokerage firms, mutual funds, and credit unions.

INTERMEDIATION COST, in finance, is the cost involved in the placement of money with a financial intermediary. The person or institution empowered as the intermediary to make investment decisions for others. Examples: banks, savings and loan institutions, insurance companies, brokerage firms, mutual funds, and credit unions.

INTERNAL is inside the country, e.g. a nation's internal politics; or, happening, arising or located inside a company, e.g. internal requirements or transactions.

INTERNAL AUDIT is an independent appraisal function established within an organization to examine and evaluate its activities as a service to the organization. The objective of internal auditing is to assist members of the organization in the effective discharge of their responsibilities. To this end, internal auditing furnishes them with analyses, appraisals, recommendations, counsel, and information concerning the activities reviewed. The audit objective includes promoting effective control at reasonable cost. Occasionally a corporation may contract an external auditor or firm to conduct its internal audit function.

INTERNAL AUDITOR is an auditor who works directly for a company auditing its activities throughout the year. Internal auditors of corporations are often not certified auditors, though they usually have significant accounting experience. They should report directly to the board of directors of the corporation.

INTERNAL CONTROLS include policies and procedures that (a) pertain to the maintenance of accurate and reasonably detailed records, (b) provide

reasonable assurance that transactions are properly recorded and authorized, and (c) safeguard assets.

INTERNAL CONTROL SYSTEM is a formalized system intended to provide reasonable assurance that the objectives of a program as a whole are met, e.g. financial control, quality control or process control.

INTERNALLY GENERATED refers to the creation of either tangible or intangible results within the confines of one entity, e.g. internally generated funds are those funds that are realized through the efforts or operations of the entity itself, i.e. the funds were not borrowed or realized through other external means.

INTERNAL RATE OF RETURN (IRR) is the discount rate that makes the project have a zero Net Present Value (NPV). IRR is an alternative method of evaluating investments without estimating the discount rate. IRR takes into account the time value of money by considering the cash flows over the lifetime of a project. The IRR and NPV concepts are related but they are not equivalent.

INTERNATIONAL ACCOUNTING is the international aspects of accounting, including such matters as accounting principles and reporting practices in different countries and their classification; patterns of accounting development; international and regional harmonization, foreign currency translation; foreign exchange risk; international comparisons of consolidation accounting and inflation accounting; accounting in developing countries; accounting in communist countries; performance evaluation of foreign subsidiaries.

INTERNATIONAL ACCOUNTING STANDARDS (IAS) see INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS).

INTERNATIONAL ACCOUNTING STANDARDS BOARD (IASB), based in London, UK. The IASB is responsible for setting International Financial

Reporting Standards. The IASB hopes that through the creation of international standards, it makes one set of financial statements more compatible with the rest of the world. Currently, a company's financial report would be different for each country based on local generally accepted accounting principles. There are fourteen members of the IASB, of whom twelve are full-time members (ie employed only by the IASB). Five members must be former auditors, three former preparers of accounts, three former users of accounts and one an academic. The remaining two may be of any of these, or other, backgrounds. The non-profit organization IASC Foundation, incorporated in March 2001 in Delaware, US is the parental body of the IASB. The IASC Foundation is also the parent of the Standards Advisory Council and the International Financial Reporting Interpretations Committee.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS), often known by the older name of International Accounting Standards (IAS), are a set of accounting standards. They are issued by the International Accounting Standards Board (IASB).

INTERNATIONAL FUND is a (mutual) fund that can invest only outside the home country, e.g. the United States.

INTERPERIOD EQUITY is a government's obligation to disclose whether current-year revenues were sufficient to pay for current-year benefits, or did current citizens defer payments to future taxpayers, i.e. it refers to whether current-year revenues are sufficient to pay for the services provided that year and whether future taxpayers will be required to assume burdens for services previously provided.

INTERPERIOD TAX ALLOCATION is the process of apportioning income taxes among accounting periods.

INTERSEGMENT REVENUE is revenue generated within a segment; whether it be a business or geographical segment.

IN THE BLACK means making money; the opposite of "in the red."

IN-THE-MONEY OPTION is an expression used for any option series with intrinsic value, i.e., the option's strike (exercise) price and market price of the underlying security are such that the holder can exercise the option at a profit. For example, if a call option with a strike price of 30 and the underlying stock's market price is currently 33, the call is in the money. A put option is considered in the money when the underlying stock is selling below the strike price. Premiums and other transaction costs are not considered in determining whether the option is in the money or out of the money. See OUT-OF-THE-MONEY OPTION.

IN THE RED means losing money; the opposite of "in the black."

INTRACOMPANY means occurring within or taking place between branches or employees of a company.

INTRINSIC VALUE, generally, is the value of a resource unto itself, regardless of its value to humans; often considered the ethical value of a resource, or the right of the resource to exist, e.g., in securities, it is the perceived actual value of a security, as opposed to its market price or book value.

INVENTORY for companies: includes raw materials, items available for sale or in the process of being made ready for sale (work in process); for securities: it is securities bought and held by a broker or dealer for resale.

INVENTORY ACCUMULATION is a buildup of inventory caused primarily by unplanned events, e.g., sales not meeting expectation.

INVENTORY AND PURCHASES BUDGET represents what a business plans to buy and how much inventory it intends to hold over a given timeframe, is based on three factors: a business's desired ending inventory, cost of goods sold, and beginning inventory. A business's desired ending inventory will

drive that business' budgeted purchases over a given period of time. A larger desired ending inventory will typically lead to a larger Purchases Budget and vice-versa. While the Purchases Budget, a component of the Inventory and Purchases Budget, represents an estimate of future purchases, this is an accrual-based accounting figure, and it is the Disbursements for Purchases Budget (another component of the Inventory and Purchases Budget) that drives a company's cash flows.

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

INVENTORY OBSOLESCENCE is when inventory is no longer salable. Possibly due to too much inventory on hand, out of fashion or demand. The true value of the inventory is seldom exactly what is shown on the balance sheet. Often, there is unrecognized obsolescence.

INVENTORY PROFITS is a capital-gains-like element in profits. It results from an increase in inventory prices.

INVENTORY SHRINK, as used in retail, is reduction in physical inventory caused primarily by shoplifting and employee theft.

INVENTORY SHRINKAGE is a reduction in the physical amount of inventory that is not easily explainable. The most common cause of shrinkage is theft.

INVENTORY TRANSFER can be a process by which inventory is physically tracked from location to location, e.g. from warehouse to shop floor; or, the transfer of assets from one account to another within the same or an alternate entity.

INVENTORY TURNOVER is a ratio that shows how many times the inventory of a firm is sold and replaced over a specific period.

INVENTORY TURNS (Period Average) measures the average efficiency of the firm in managing and selling inventories during the last period, i.e., how

many inventory turns the company has per period and whether that is getting better or worse. It is imperative to compare a company's inventory turns to the industry average. A company turning their inventory much slower than the industry average might be an indication that there is excessive old inventory on hand which would tie up their cash. The faster the inventory turns, the more efficiently the company manages their assets. However, if the company is in financial trouble, on the verge of bankruptcy, a sudden increase in inventory turns might indicate they are not able to get product from their suppliers, i.e., they are not carrying the correct level of inventory and may not have the product on hand to make their sales. If looking at a quarterly statement, there probably are more or less turns than an annual statement due to seasonality, i.e., their inventory levels will be higher just before the busy season than just after the busy season. This does not mean they are managing their inventory any differently; the ratio is just skewed because of seasonality. **NOTE:** Comparing the two **INVENTORY TURNS** (Period Average and Period End) suggests the direction in which inventories are moving, thereby allowing an analysis of efficiency improvements and/or potential burgeoning inventory problems.

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inventories are moving, thereby allowing an analysis of efficiency improvements and/or potential burgeoning inventory problems.

INVENTORY VALUATION is the process of assigning a financial value to on-hand inventory, based on standard cost, first-in, first-out (FIFO), last-in, first-out (LIFO), average list price or other method. The method used is determined by a requirement to meet legal or other standards specified by a third party, or by an operational measure found to be useful in analyzing inventory positions.

INVENTORY VARIANCE see VARIANCE.

INVESTEE is the legal entity into which an investor has made an equity investment.

INVESTMENT is the purchase of real property, stocks, bonds, collectible annuities, mutual fund shares, etc, with the expectation of realizing income or capital gain, or both, in the future. Investment is longer term and usually less risky than speculation.

INVESTMENT BANKER is an underwriter who serves as a middleman between a corporation issuing new securities and the public. Usually, an investment banker, or several investment bankers in a syndicate, buy the securities issue outright, then sell the securities to individuals or institutions.

INVESTMENT CAPITAL is capital realized from issuance of long term debt, common shares, or preferred shares.

INVESTMENT CENTER is the responsibility center within an organization that has control over revenue, cost, and investment funds. It is a profit center whose performance is evaluated on the basis of the return earned on invested capital, e.g. corporate headquarters or a division of a large decentralized organization.

INVESTMENT EXPENSE is any cost of investment realized aside from the principal investment itself. For example**:**, in mutual funds, investment expesne is normally contained within five types of investment costs that must be measured to determine your total investment expense: a. Annual mutual fund expenses (i.e. the expense ratio); b. Front or back end sales loads; c. Portfolio turnover and trading costs for the fund (i.e. bid/ask spread, premium for large block trades, etc.); d. Brokerage commissions; and, e. Other (i.e., wrap account fees, annuity mortality & expense charges, etc.).

INVESTMENT MANAGER is an individual, firm, or committee responsible for making day-to-day decisions to buy, hold, or sell assets; also known as money managers.

INVESTMENT OPPORTUNITY SET is a graphical depiction of the Capital Allocation Line; which depicts expected rates of return between risky and risk-free assets.

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 a detailed list of goods shipped or services rendered, with an account of all costs; an itemized bill.

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.

IOU is an informal debt instrument in the form of a written promise to pay back money owed; e.g., personal loans and professional services.

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

IRC is Internal Revenue Code of 1986 (formerly 1954).

IRCA is International Register of Certified Auditors.

IRD, dependent upon usage, can mean Interest Rate Derivatives (finance), Inland Revenue Department (New Zealand's tax revenue collection department), or Interest Rate Differential.

IRR see INTERNAL RATE OF RETURN.

IRRELEVANT COST, in managerial accounting decision-making situations, is any positive or negative implications phenomenon which is not consequent upon the production process, whether it is denominated in money terms or not.

IRREVOCABLE LETTER OF CREDIT is a letter of credit in which the specified payment is guaranteed by the issuing bank if all terms and conditions are met by the drawee. It is as good as the issuing bank.

IRS is Internal Revenue Service; also see INTEREST RATE SWAP.

ISSUE, in securities, is stock or bonds sold by a corporation or a government; or, the selling of new securities by a corporation or government through an underwriter or private placement.

ISV can mean: Independent Software Vendor, Independent Solution Vendor, or Information Service Vendor.

ITC is International Trade Commission, Investment Tax Credit, Input Tax Credit (Canadian GST refund for businesses), etc.

IVA TAX see IMPOSTA VALORE AGGIUNTO TAX.

JBO is Joint Back Office (stock trading).

JCO is Justification for Continued Operation.

JIT see JUST IN TIME.

JOB COSTING, generally, it is the allocation of all time, material and expenses to an individual project or job; specifically, JOB COSTING is normally software based and provides for budgeting, forecasting, collecting and reporting on the expenditure and revenue associated with specific projects or jobs.

JOINT ACCOUNT is a financial account owned by two or more persons who share equally in the rights and liabilities of the account.

JOINT COSTS are costs incurred to produce a certain amount of two or more products where the cost of producing one product cannot be logically isolated and cost allocation is arbitrary. Simplified, they are the costs of a single production process that yields multiple products simultaneously.

JOINT PAYEE ENDORSEMENT, normally, when a bank draft is made out to two parties both parties are required to endorse the back of the bank draft before it will be honored by the bank.

JOINT PRODUCT is a single production process that yields multiple products simultaneously.

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 STOCK COMPANY is a company that has some features of a corporation and some features of a partnership. This type of company has access to the liquidity and financial reserves of stock markets as a

corporation, however, as in a partnership; the stockholders are liable for company debts and have additional restrictions of a partnership.

JOINT VENTURE is a venture by a partnership or conglomerate designed to share risk or expertise. See also VENTURE.

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

JOURNAL, in accounting transactions, is where transactions are recorded as they occur.

JOURNAL ENTRY is the beginning of the accounting cycle. Journal entries are the logging of business transactions and their monetary value into the t-accounts of the accounting journal as either debits or credits. Journal entries are usually backed up with a piece of paper; a receipt, a bill, an invoice, or some other direct record of the transaction; making them easy to record and to maintain traceability for each transaction.

JOURNAL PAYMENT see DIRECT JOURNAL PAYMENT.

JUNK BOND is a bond with a speculative credit rating of BB or lower. Such bonds offer investors higher yields than bonds of financially sound companies. Two agencies, Standard & Poor's and Moody's Investor Services, provide the rating systems for companies' credit.

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

JV is Journal Voucher or Joint Venture.

KAIZEN BUDGETING is a budgeting approach that projects costs on the basis of future improvements, rather than current practices and methods. The key point is that the budget cannot be achieved unless improvements are made.

KAIZEN COSTING means "improvements in small steps" (i.e., continuous improvement). It was developed in Japan by Yashuhiro Monden. Kaizen Costing is applied to product that it already under production.

KEEP-WELL AGREEMENTS, also known as comfort letters, are documents from one party written to another party in regards to contingent liability. Comfort letters have been held by courts to be legally enforceable commitments if they meet certain standards criteria of language. Comfort letters meeting these standards are loss contingencies in that they are

construed to guarantee a financial commitment and must be reported under Statement of Financial Accounting Standard 5 as a guarantee. Auditors should review the language of all comfort letters and seek to discover contingent liabilities not disclosed in financial statements in situations where comfort letters exist. Sources of information concerning the contingent liabilities of comfort letters include: management and third parties. Auditors should document within the client representations letter management assurances that loss contingencies have been reported.

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.

KIKIN, in Japan, is a capital foundation fund.

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.

KNOW-HOW is the knowledge and skill required to do something correctly.

KNOWLEDGE ACQUISITION is the process of acquiring knowledge from a human expert for an expert system, which must be carefully organized into IF-THEN rules or some other form of knowledge representation.

LABOR BUDGET see DIRECT LABOR BUDGET.

LABOR INTENSIVE is used to describe industries or sectors of the economy that relies relatively heavily on inputs of labor, usually relative to capital but sometimes to human capital or skilled labor, compared to other industries or sectors.

LABOR THROUGHPUT VARIANCE reveals potential constraints on throughput caused by changes in the mix of products being produced. It is computed the way the traditional labor "efficiency" variance is computed but aggregated at a fairly high level (e.g., total plant or total department) and expressed as percent of actual clocked production hours vs. standard production hours.

LAG TIME is the period of time between two closely related events, phenomena, etc., as between stimulus and response or between cause and effect: a time-lag between the declaration of war and full war production.

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

LANDED COST is the total expense of receiving goods at place of retail sale, including retail purchase price, transportation costs, duties, value added taxes, excise tax and other taxes.

LANDING COST is the initial charges for landing imported goods, such as those for receiving goods from dockside vessels or from barges to lighters. They may also cover wharfage or delivery from the dock to land conveyance or warehouse.

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

LATIN AMERICAN MODEL is an accounting model. There are other accounting systems which differ from the U.S. accounting model. U.S. GAAP and FASB standards are not the only accounting principles used

internationally; for example, many countries reverse the U.S. debit and credit system. Many countries with high rates of inflation account for inflation in financial reports much more than the U.S. does. Also, for any company operating internationally there is the currency exchange translation problem when consolidating financial statements.

LBO see LEVERAGED BUY-OUT.

LCL see LESS THAN CONTAINER LOAD.

LCM is Lower of Cost or Market.

LCM RULE is an abbreviation for lower-of-cost-or-market rule. LCM requires that an asset be reported on the financial statements at the lower of purchase cost or market value.

LEAD SCHEDULE, in accounting, is a working paper with columnar headings similar to those in a working trial balance, set up to combine similar ledger accounts the total of which appears in the working trial balance as a single amount.

LEAD-TIME is the time between the initial stage of a project or policy and the appearance of results, for example, the long lead-time in oil production because of the need for new field exploration and drilling.

LEASE is a contract where a party being the owner (lessor) of an asset (leased asset) provides the asset for use by the lessee at a consideration (rentals), either fixed or dependent on any variables, for a certain period (lease period), either fixed or flexible, with an understanding that at the end of such period, the asset, subject to the embedded options of the lease, will be either returned to the lessor or disposed off as per the lessor's instructions.

LEASEHOLD is an agreement between the lessee and lessor specifying the lessee's rights to use the leased property for a specific purpose and given time at a specified rental payment.

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.

LEASE RATE FACTOR is the periodic lease or rental payment expressed as a percentage (or decimal equivalent) of equipment cost. Used to calculate payments given the cost of equipment (e.g. A lease rate factor of 0360 on an equipment cost of $5,000.00 requires a monthly payment of $180.00 (0360x$5,000.00=$180.00).

LEAST-SQUARED METHOD of approximating cost is a statistical approach that is both objective and considers all the data points. By using mathematical formulas to arrive at the best possible cost line (i.e., the regression line), it is more accurate than the methods mentioned previously. The regression line is in the form Y=a + bX, where X is the independent variable and Y is the dependent variable. The coefficient of determination (R2) can be used to judge the line’s goodness of fit.

LEDGER is a book of accounts in which data from transactions recorded in journals are posted and thereby classified and summarized. The ledger is typically divided up into (traditionally physical separate books): a. **Purchases/Creditors Ledger** is the subsidiary ledger in which creditors' accounts are recorded; also known as the bought ledger. Each creditor's account is credited with purchases and debited with cash paid, discounts received and returns outward. The detail in the creditors ledger is summarized in the creditors ledger control account kept in the general ledger; b. **Sales/Debtors Ledger** is the subsidiary ledger in which debtors' accounts are recorded; also known as the sold ledger. Each debtor's account is debited with sales and credited with cash received, discounts allowed and

returns inward. The detail in the debtors ledger is summarized in the debtors ledger control account kept in the general ledger; c. **General/Impersonal Ledger** is a book of final entry summarizing all of a company's financial transactions, through offsetting debit and credit accounts, e.g. liability, reserve, capital, income and expense accounts; and d. **Private Ledger** is confidential and records items such as capital, loans, mortgages, directors' salaries and awards, etc.

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.

LEGALLY MANDATED is that which is required by law, e.g. the ratio of majority inhabitant vs. minority new-hire quotas in a legislated work environment.

LEGITIMACY THEORY posits that businesses are bound by the social contract in which the firms agree to perform various socially desired actions in return for approval of its objectives and other rewards, and this ultimately guarantees its continued existence.

LEHMAN FORMULA is a compensation formula originally developed by investment bankers Lehman Brothers for investment banking services:

- 5% of the first million dollars involved in the transaction for services rendered
- 4% of the second million
- 3% of the third million
- 2% of the fourth million
- 1% of everything thereafter (above $4 million)

NOTE: Most investment bankers now require an additional multiplier to offset inflation.

LEMON is a. an investment with a poor or negative rate of return or a purchase made where the product has continuing problems, e.g. a lemon of

an automobile; or, b. an asset that is in continual need of repair, e.g. an automobile can be referred to as a lemon.

LEMONS AND PLUMS, in finance, LEMON is an investment with a poor or negative rate of return; and, PLUM is an investment with a healthy rate of return.

LESSEE is the party to whom the possession of specified property has been conveyed for a period of time in return for rental payments.

LESSOR is the party who conveys specified property to another for a period of time in return for the receipt of rent.

LESS THAN CONTAINER LOAD (LCL) is a shipment in which the freight does not completely fill the container; or a particular consignor's freight when combined with others to produce a full container load.

LETTER OF AUTHORIZATION (LOA) is a form that permits a Donor to provide written instructions to transfer a stock certificate in the Donor's name in full or in part to another party, such as a charitable organization, without using a transfer agent. This form given to the charitable organization with the designated stock certificate and a separate Stock Power is usually executed by the charitable organization's brokerage to expedite the sale and receipt of proceeds from the gift of securities.

LETTER OF AWARENESS is a formal letter written to a lender, normally by a parent company, acknowledging its relationship with another group company and its awareness of a loan being made to that company. It is the weakest form of comfort letter. Such letters do not constitute a guarantee, but may nevertheless involve a significant moral commitment on the part of the writer.

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 buyer 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.

LETTER OF GUARANTEE is a written promise issued by a bank to compensate (pay a sum of money) to the beneficiary (third party, local or foreign) in the event that the obligor (customer) fails to honor its obligations in accordance with the terms and conditions of the guarantee/agreement/contract.

LETTER OF INTENT (LOI) is a document that describes the preliminary understanding between parties who intend to make a contract or join together in another action.

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.

LEVERAGED LEASE is a lease arrangement under which the lessor borrows a large proportion of the funds needed to purchase the asset and grants the lender a lien on the assets and a pledge of the lease payments to secure the borrowing.

LEVERAGE HYPOTHESIS is the theory that managers have incentive to avoid technical default of loan covenants because it could result in increases in the firm's cost of capital.

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.

LEVIED is a charge imposed and collected.

LEVY is to impose and collect a charge.

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.

LIBOR see LONDON INTERBANK OFFERED RATE.

LICENSE is a legal document giving official permission to do something.

LIEN is the right to take another's property if an obligation is not discharged.

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.

LIFO LIQUIDATION is a reduction in the reported value of inventory below levels established in prior years under the LIFO method; arises when purchases for the period are not sufficient to offset the sale of inventory in the period.

LIFO RESERVE is the difference between the ending inventory under LIFO and FIFO (or other method that might be chosen).

LIFTING & OPERATING EXPENSE (LOE), in the oil/energy industry, within any accounting period, it is all cash costs incurred in connection with the running and maintenance of production wells.

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.

LIMITED LIABILITY is one that does not go beyond the owner's investment in the business.

LIMITED PARTNER is a partner in a venture who has no management authority and whose liability is restricted to the amount of his or her investment.

LIMITING FACTOR is a factor or condition that, either temporarily or permanently, impedes goal accomplishment.

LINEAR PROGRAMMING (LP), in accounting, is the mathematical approach to optimally allocating limited resources among competing activities. It is a technique used to maximize revenue, contribution margin, profit function; or, to minimize a cost function, subject to constraints. Linear programming consists of two ingredients: (1) objective function and (2) constraints, both of which are linear. In formulating the LP problem, the first step is to define the decision variables that one is trying to solve. The next step is to formulate the objective function and constraints in terms of these decision variables.

LINE ITEM is one item from a group of many items, e.g. one inventory item from the list of all inventoried items or one budgeted item from a financial budget.

LINE ITEM BUDGET is a budget initiated by government entities in which budgeted financial statement elements are grouped by administrative entities and object. These budget item groups are usually presented in an incremental fashion that is in comparison to previous time periods. Line item budgets are also used in private industry for comparison and budgeting of selected object groups and their previous and future expenditure levels within an organization.

LINE MANAGEMENT is the administration of the line functions of an organization; administration of activities contributing directly to the organization's output.

LINE OF CREDIT is an agreement whereby a financial institution promises to lend up to a certain amount without the need to file another loan application. The borrower is required to reduce the debt whenever the limit of the full amount of credit has been reached.

LINKED ACCOUNT gives you the flexibility of opening minor or custom account(s) that are linked to your primary account. Transactions between linked accounts are usually controlled through the password of the primary account. Linked accounts are possible through either commercial or consumer accounts, e.g. a consumer may have his/her checking, savings and over-draft protection accounts linked so that transactions can be easily made between them.

LIP ACCOUNT see LOAN-IN-PROCESS ACCOUNT.

LIQUID is to be in a state of liquidity, i.e., maintain sufficient assets in the form of cash or assets easily convertible to cash to satisfy current liabilities. When speaking of money or an economy: being very liquid means it is driven by primarily by cash, checking/saving accounts, treasury bills, stocks and bonds, etc; while being very illiquid means it is driven primarily by human capital.

LIQUID ASSET is cash and any asset that can quickly be converted into cash (e.g., cash, checks and easily-convertible securities).

LIQUIDATING DIVIDENDS are dividends paid by a corporation that is in the process of liquidation/bankruptcy. Liquidating Dividends are paid from the capital of the corporation as opposed to earnings. Recipients of Liquidating Dividends are typically shareholders, bond holders and/or creditors. In the U.S. such dividends are generally nontaxable under the Internal Revenue Code.

LIQUIDATION is the selling of all the assets of a debtor and the use of the cash proceeds of the sale to pay off creditors.

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.

LIQUIDITY RATIO see CASH RATIO.

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.

LISTING is a written contract between an agent and a principal giving authorization to the agent to perform services for the principal involving the principal's property; or, a record of a property for sale by a broker who has been authorized by the owner of the property to be sold.

LITIGATION is legal proceeding in a court; a judicial contest to determine and enforce legal rights.

LITIGATION RISK is an assessment of the likelihood or probability that legal action may be taken, e.g. auditors may encounter an unacceptable level of litigation risk on an assignment where the client has possibly been involved with fraudulent financial reporting.

LIVING DEAD are venture capital investments that neither fail nor are easily liquidated. These are termed the "living dead" and are judged as failures by venture capitalists.

LLC is Limited Liability Corporation.

LLCR is Loan Life Coverage Ratio.

LMA, among others, is an acronym for Lease Management Agreement, Local Marketing Agreement or Legal Marketing Association.

LOADED LABOR RATE is the employee hourly rate plus employee benefits, capital expenses, and other overhead.

LOAN is an agreement under which an owner of assets (the lender) allows another entity (the borrower) to use the assets for a specified time period. In return, the borrower agrees to pay the lender a payment (interest) and return the assets (cash) at the end of the agreed upon time period.

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.

LOAN-IN-PROCESS ACCOUNT (LIP ACCOUNT) serves as a deposit account for construction funds. The buyer's down payment is deposited into this account and is used for the initial construction draws. Disbursements of actual loan funds begin once the buyer's money is depleted. Interest on the borrowed funds will be billed monthly on the amount withdrawn. Upon completion of the house, the buyer will be asked to furnish a homeowner's insurance policy and monies for completing the escrow account. Once final disbursements to the builder are made, monthly payments begin based on amortization of the balance at that time.

LOAN STOCK is stock bearing a fixed rate of interest. Unlike a debenture, loan stock may or may not be secured.

LOAN TO VALUE RATIO, in real estate, is the percentage value for the relationship between the amount of the mortgage loan and the appraised value of the property. Loan-to-value ratio is expressed to a potential

purchaser of a property in terms of the percentage a lending institution is willing to finance.

LOC see Letter of Credit.

LOCKBOX is 1. a fireproof metal strongbox (usually in a bank) for storing valuables e.g., a safety deposit box; and, 2. a service offered by banks to companies in which the company receives payments by mail to a post office box and the bank picks up the payments several times a day, deposits them into the company's account, and notifies the company of the deposit. This enables the company to put the money to work as soon as it's received, but the amounts must be large in order for the value obtained to exceed the cost of the service.

LODGEMENT, in law, is bringing a legal charge or accusation against someone.

LOE see LIFTING & OPERATING EXPENSE.

LOGGING is the practice of recording data, in some medium, sequential input, often in a time-associated format.

LOI is Letter of Intent.

LONDON INTERBANK OFFERED RATE (LIBOR) is the rate that the most creditworthy international banks that deal in Eurodollars charge each other for large loans. It is equivalent to the federal funds rate in the U.S.

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 is a long period of time. In securities, for a bond it is 10 or more years or as it relates to a buy and hold investment strategy. In accounting, it is thought of as being in excess of 12 months, e.g. long-term liabilities. See SHORT-TERM.

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). As opposed to DEBT TO EQUITY, Long-Term Debt to Equity expresses the degree of protection provided by the owners for the long-term creditors. A company with a high long-term debt to equity is considered to be highly leveraged. But, generally, companies are considered to carry comfortable amounts of debt at ratios of 0.35 to 0.50, or $0.35 to $0.50 of debt to every $1.00 of book value (shareholders equity). These could be considered to be well-managed companies with a low debt exposure. It is best to compare the ratio with industry averages.

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.

LONG-TERM RECEIVABLE, in accounting, is any receivable that is scheduled or projected for receipt in greater than a 12-month period, e.g. notes receivable or a receivable in litigation.

LOSS, in finance, is when expenses exceed sales or revenues, i.e. goods or services are sold for less than their cost.

LOSS LEADER is a featured article of merchandise sold at a loss in order to draw customers.

LOT can be: 1. A group of items which are bought or sold together; 2. Multiple shares held or traded together, usually in units of 100; or, 3. A parcel of land.

LOT COSTING see BATCH COSTING.

LP see LINEAR PROGRAMMING.

LRIC is an acronym for Long Run Incremental Cost. A service costing methodology used primarily in the telecommunications industry.

LTM means Last Twelve Months.

LUMP-SUM is an agreed upon sum of money, which is paid in full settlement all at one time.

M1 is the narrowest measure of the U.S. money supply; includes currency in circulation plus demand deposits (checking account balances).

M2 is a measure of the U.S. money supply that includes M1, plus savings and small time deposits, overnight repos at commercial banks, and non-institutional money market accounts. M2 is a key economic indicator used to forecast inflation.

M3 is the broadest measure of the U.S. money stock that consists of M2, time deposits of $100,000 or more at all depository institutions, term repurchase agreements in amounts of $100,000 or more, certain term Eurodollars and balances in money market mutual funds restricted to institutional investor.

MACRS is Modified Accelerated Cost Recovery System.

MAINTENANCE is the activity involved in maintaining something in good working order. May include replacement of signifcant portions of the item(s) being maintained.

MAINTENANCE OF ACCOUNTS, in accounting, ensures that all transactions and accounting records are in accordance with generally accepted accounting principles and applicable laws, and shall be in sufficient detail to permit an annual audit.

MAKER is a. the producer of a product, or, b. the person who signs a check or promissory note, which makes him/her responsible for payment.

MALPRACTICE INSURANCE see E&O INSURANCE.

MANAGED RECEIVABLES is the total receivable amounts on which a company continues to perform billing and collection activities, including

receivables that have been sold with and without credit recourse and are no longer reported on the balance sheet. See OWNED RECEIVABLES.

MANAGEMENT ACCOUNTING is the process of identification, measurement, accumulation, analysis, preparation, interpretation, and communication of financial information used by management to plan, evaluate, and control within an organization and to assure appropriate use of and accountability for its resources. Management accounting also comprises the preparation of financial reports for non-management groups such as shareholders, creditors, regulatory agencies, and tax authorities.

MANAGERIAL ACCOUNTING is a system using financial accounting records as basic data to enable better business decisions in the areas of planning and control.

MANAGEMENT BY EXCEPTION (MBE) is a management method by which only exceptional events are reported or acted upon. In this way management can focus only on those results or occurrences that deviate in some way from that what was expected.

MANAGEMENT BY OBJECTIVES (MBO) is a management theory that calls for managing people based on documented work statements mutually agreed to by manager and subordinate. Progress on these work statements is periodically reviewed, and in a proper implementation, compensation is usually tied to MBO performance.

MANAGEMENT CONTROL SYSTEM is essentially a strategic tool for holding managers accountable and responsible for their performance. Existence of such a system also provides feedback for managers to know how they perform, in which direction the organization is heading, and what type of course correction may be required to stay on course.

MANAGEMENT EXPENSE is the management fee deducted from a fund's average net assets to pay an advisor or subadvisor. This fee is normally on a

sliding scale. As the net assets of the fund increase, the percentage deducted for management fees decreases. A fund can also have a fixed rate or flat fee to compensate the advisor.

MANAGEMENT INFORMATION SYSTEM (MIS) is a well-developed data management system that provides uniform organizational information from all areas of the entity within a database. Information within the database is manipulated to help management reach accurate and rapid organizational decisions.

MANAGEMENT LETTER identifies issues not required to be disclosed in the Annual Financial Report but represent the auditor's concerns and suggestions noted during the audit.

MANDATORY TRANSFERS are transfers from the current (operating) fund group to other fund groups arising out of binding legal agreements related to the financing, e.g., in education: debt retirement, interest, and grant agreements with federal agencies and other organizations to match gifts and grants. Whereas non-mandatory transfers would be transfers from the current (operating) fund group to other fund groups made at the discretion of management to serve various objectives, e.g., additions to loan funds, endowment funds, plant additions, and voluntary renewal and replacement of plant.

MANNING VARIANCE is the difference between the amount of time that was expected to be worked at a machine-paced workcenter, based on the amount of receipts of the parent part, and the actual amount of labor hours recorded at the workcenter.

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

MANUFACTURING ACCOUNT is an accounting statement that is an integral part of the final accounts of a manufacturing organization. For any particular period, it indicates, among other things, prime cost of manufacturing, manufacturing overhead, the total manufacturing cost, and the manufacturing costs of finished goods.

MANUFACTURING COMPANY see MANUFACTURING CONCERN.

MANUFACTURING CONCERN is an entity that derives its products for sale, thereby revenue, through the direct manufacture of those products.

MANUFACTURING OVERHEAD is the total cost of indirect labor, indirect materials, and other indirect expenses associated with manufacturing products.

MANUFACTURING STATEMENT see MANUFACTURING ACCOUNT.

MAP can mean Manufacturing Application Protocol, Merchant Account Provider, Minimum Advertised Price, or Major Accounts Processing among many others.

MARGIN see GROSS MARGIN.

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.

MARGINAL is just barely adequate or within a lower limit.

MARGINAL COST is a calculation showing the change in total cost as a result of a change in volume, e.g. if one more item of output increases the total cost by $25, the marginal cost is $25. It is usually useful to determine marginal cost because it can aid in determining if the rate of production should be altered.

MARGINAL PROFIT is the change in the total profit that results from the sale of an additional unit.

MARGINAL REVENUE is the change in total revenue as a result of producing one additional unit of output.

MARGINAL TAX RATE is the top rate of income tax that is charged to individuals on their earnings.

MARGIN ANALYSIS see CONTRIBUTION MARGIN ANALYSIS or GROSS PROFIT MARGIN ANALYSIS.

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

MARGIN LENDING, in securities, is where the lender, usually a bank, will lend you between approximately 40% and 70% of the value of approved shares and managed funds. For example, if you have $30,000 in cash, you could borrow up to $70,000 and buy a $100,000 portfolio (assuming a lending ratio of 70%). This portfolio then becomes the security for your margin lending facility.

MARGIN OF SAFETY, in accounting, is how much output or sales level can fall before a business starts making a loss. In investing, it is the difference between the intrinsic value of a stock, i.e. value based on stock valuation and what the company is actually worth and the price that the market sets on a stock, i.e. a stock price is a matter of the market participants' opinions.

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

MARK ENDORSEMENT, normally, it is when a signatory (payee) cannot endorse with their signature, due to illiteracy or an infirmary, the signatory is allowed to make a mark that identifies that the signatory has signed. Such mark endorsements are normally witnessed with the witness endorsing the mark endorsement.

MARKETABLE CAPACITY is an assessment of total capacity compared to that capacity that sales projections indicate that the market can absorb. Dependent upon demand, the analysis will indicate whether the marketable capacity is at capacity, over capacity (inflationary), or under capacity (deflationary).

MARKETABLE SECURITY is a readily tradable equity or debt security with quoted prices; to include commercial paper and Treasury bills. It is a "close to cash" asset which is classified as a current asset.

MARKET ANAMOLY is a persistent and systematic differential of returns that cannot be accounted for by systematic risk factors, i.e. it is an inexplicable price distortion on a market.

MARKET CAPITALIZATION is the total dollar value of all outstanding shares. It is calculated by multiplying the number of shares times the current market price. The term is commonly referred to as “market cap”.

MARKET DISCOUNT is the stated redemption price of a bond at maturity minus your basis in the bond immediately after you acquire it. Market discount arises when the value of a debt obligation decreases after it's issue date.

MARKET DISCOUNT BOND is any bond having market discount except: short-term obligations with fixed maturity dates of up to 1 year from the date

of issue, tax-exempt obligations that you bought before May 1, 1993, U.S. savings bonds, and certain installment obligations.

MARKETING EXPENSE see SALES & MARKETING EXPENSE.

MARKETING LEVER is anything that provides positional advantage or power to act effectively: Potential levers may be price, brand name, corporate image, broad distribution, effective advertising, etc.

MARKET MULTIPLE see PRICE/EARNINGS RATIO.

MARKET POSITION, from a marketing context, is the strength of an entity or product within the target market. In investing, it is the amount and/or depth and breadth of holdings within identified sectors of the capital market.

MARKET SEGMENT is a group of consumers, within a broader market, that has similar characteristics and needs.

MARKET SHARE is the percentage of sales a company captures for a particular product line, i.e., the percentage of total industry sales that a particular company controls within a given market.

MARKET TO BOOK VALUE is calculated by dividing the market value (MV) of a company, i.e., the total value of all its outstanding shares, by the value of its tangible assets (TA). Also known as TOBIN RATIO = MV/TA.

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. See also OPEN MARKET VALUE (OMV).

MARK-TO-MARKET (MTM) is the recording of the price or value of a security, portfolio, or account on a daily basis, to calculate profits and losses or to confirm that margin requirements are being met. This is done most

often in futures accounts to make sure that margin requirements are being met. If the current market value causes the margin account to fall below its required level, the trader will be faced with a margin call. Mutual funds are marked to market on a daily basis at the market close so that investors have an idea of the fund's NAV.

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

MARSHALLING is to make ready for action or use, e.g., the marshalling of resources.

MASTER BUDGET formalizes the whole budget system into one single final document in which all the operational budgets flow; its goal is to draft the main economic and financial statements. However, dependent upon the individual or geographic location, is variously contains the cash budget only; or the income statement and the balance sheet combined; or the income statement and the balance sheet and the cash budget combined.

MAT is Management, Administrative, and Technological.

MATCHING, in accounting, is the matching of invoices to purchase orders and delivery notes prior to payment.

MATCHING CONCEPT is the accounting principle that requires the recognition of all costs that are directly associated with the realization of the revenue reported within the income statement.

MATCHING PRINCIPLE see MATCHING CONCEPT.

MATERIAL CONTROL normally refers to the department responsible for the proactive control of materials within a manufacturing environment: Do procedures exist for storage, release, and movement of material? Are materials in stores identified and controlled? Are in-process materials identified and controlled? Are materials in inspection identified and

controlled? Do storage areas and facilities provide control to protect material from degradation? Are nonconforming items identified, segregated and controlled?

MATERIAL CONTROL SYSTEM (MCS) is the software program used to control the routing and transfer of material within an automated material handling and control system.

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

MATERIALITY PRINCIPLE requires accountants to use generally accepted accounting principles except when to do so would be expensive or difficult, and where it makes no real difference if the rules are ignored. If a rule is temporarily ignored, the net income of the company must not be significantly affected, nor should the reader's ability to judge the financial statements be impaired.

MATERIAL MISSTATEMENT is accidental or intentional untrue financial statement information that influences a company's value or price of stock.

MATERIAL REQUISITION PLANNING (MRP) entire purpose is to plan for materials that are required for a particular purpose. An MRP is usually automated using transaction codes. MRP can be done for a single material item or a multilevel plan can be run for a material within a plant. MRP creates purchase requisitions, purchase orders, or planned orders for the material. This is done on the basis of the settings selected in the transactions. To take an example, a particular material item may be procured externally, in such a case, an MRP run creates requirements for that material through the respective plant from a sales document.

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.

MATERIAL WEAKNESS is a condition that could potentially result in the material misstatement of the financial statements.

MATRIX ORGANIZATION is where a company superimposes a group or interdisciplinary team of project specialists on a functional organizational design. In a matrix organization the members have dual allegiances, i.e., to that particular assignment or project as well as their normal organizational department.

MATURITY DATE of a financial asset is the date at which that asset is converted into a specified amount of money or physical assets, e.g. the date on which an issuer of a bond promises to repay the full amount borrowed.

MATURITY VALUE, in securities, is the amount that will be received at the time a security is redeemed at its maturity. For most securities, maturity value equals par value; in insurance, it is the amount payable under a whole life insurance policy if the insured person lives to the last age on the mortality table on which the values of the contract were based.

MBE see MANAGEMENT BY EXCEPTION.

MBO see MANAGEMENT BY OBJECTIVES.

MCP is Microsoft Certified Professional or Master of City Planning.

MCS see MATERIAL CONTROL SYSTEM.

MD&A is an acronym for Management Discussion and Analysis. MD&A usually refers to that section of a corporate annual or quarterly report that

provides managerial comment on corporate performance for the time period in question.

MEAN is the measure of central tendency; also called the 'average'. It is calculated by the sum of the data points divided by the number of data points.

MEASUREMENT THEORY involves the assignment of numerals to objects or events in order to represent certain attributes, or properties, of those objects and events.

MEDIAN is the value of the midpoint variable when the data are arranged in ascending or descending order.

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.

MEDIUM TERM usually encompasses a calendar of 2-3 years or less.

MEDIUM TERM ASSETS, usually, are those assets that are expected of having a useful life of between six months and two years of the present.

MEMO ENTRY is supplemental or explanatory information on a reporting schedule. It is used for clarification of sometimes complex entries.

MEMORANDUM ACCOUNT see SPECIAL MEMORANDUM ACCOUNT.

MEMORANDUM FOR RECORD (MR) is an in-house memo covering information that would otherwise not be recorded in writing.

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.

MERCHANDISE is commodities offered for sale or to engage in the trade of commodities that are for sale.

MERCHANDISING CONCERN is an entity that derives its revenue through the provisioning of products provided or manufactured by others. See MANUFACTURING CONCERN.

MERGER is the union of two or more commercial interests or corporations. The distinction being that identity of the merged companies, product lines, etc., may or may not lose its individual identity.

MEZZANINE FINANCING usually is a class of investment that is a stage intermediate between venture capital and an initial public offering; or, subordinated debt used in leveraged buyouts (LBOs).

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

MIDDLE MARKET COMPANY: see MID-CAP.

MILLAGE is a rate (as of taxation) expressed in mills per dollar.

MINIMUM PAYMENT is the minimum amount that you must pay, e.g. usually monthly on a home equity loan or line of credit. In some payment agreements the minimum payment may be "interest only" (simple interest). In other loan agreements, the minimum payment may include principal and interest (amortized).

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.

MINOR MATTERS is a term used in accounting and legal reports to cover areas considered to be cosmetic or superficial; thereby deemed by the author to be of little consequence.

MIS see MANAGEMENT INFORMATION SYSTEM.

MISAPPROPRIATON is a nonviolent criminal taking of property. Includes embezzlement, theft, and fraud. Often applied to an employee's taking of an employer's property.

MISCELLANEOUS is a grouping consisting of a haphazard assortment of different kinds.

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

MMOE is a slang acronym meaning Make Money or Else.

MMU is Maintained Mark-Up.

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.

MODIFIED ACCRUAL BASIS accounting is a mixture of the cash and accrual basis. The modified accrual basis should be used for governmental funds. To be recognized as a revenue or expenditure, the actual receipt or disbursal of cash must occur soon enough after a transaction or event has occurred to have an impact on current spendable resources. In other words, revenues must be both measurable and available to pay for the current period's liabilities. Revenues are considered available when collectible either during the current period or after the end of the current period but in time to pay year-end liabilities. Expenditures are recognized when a transaction or event is expected to draw upon current spendable resources rather than future resources.

MODIFIED INTERNAL RATE OF RETURN is the rate of return which equates the initial investment with the terminal value, where the terminal value is the future value of the cash inflows compounded at the required rate of return (the opportunity cost of capital).

MONETARY is anything pertaining to or having to do with money, money creation, money supply, and the government management of money.

MONETARY ASSETS are measured at their collectible amounts, while nonmonetary assets are measured at historical costs.

MONEY MARKET is a sector of the capital market where short-term obligations such as Treasury bills, commercial paper and bankers' acceptances are bought and sold.

MONEY MARKET FUND is a fund that invests in various short-term debt instruments, i.e., commercial paper, negotiable certificates of deposit, banker's acceptances, Treasury bills, etc.. Shares seek to maintain a net asset value of $1 but the interest rate changes daily.

MONEY MEASUREMENT CONCEPT stipulates that all business transactions must be expressed in money terms, i.e., if something cannot be measured in money; it will not be included in accounting books.

MONEY MEASUREMENT PRINCIPLE see MONEY MEASUREMENT CONCEPT.

MONETARY UNIT is the unit used to measure economic activity (e.g., U.S. $).

MONETARY UNIT ASSUMPTION assumes that values can be relevantly measured in current monetary units. It is not necessary that the currency be stable or that inflation effects be negligible. The discount rate (cost of capital) automatically takes into account expected inflationary effect on dollar or inventory values for the specific entity. This supports economic valuation and enhances comparability.

MONITOR, generally, is to keep tabs on; keep an eye on; or, keep under surveillance. In business, it is a person or firm appointed to review and report on, without controlling or approving, the day-to-day transactions of a business. Particulars of the engagement are usually set out in an exchange of letters, an agreement or court order.

MORATORIUM a legally authorized postponement before some obligation must be discharged.

MORTGAGE is a conditional conveyance of property as security for the repayment of a loan.

MORTGAGE BOND is a bond in which the issuer has granted the bondholders a lien against the pledged assets.

MOU is Memorandum of Understanding.

MR see Memorandum for Record.

MRP see MATERIAL REQUISITION PLANNING.

MSCC is Material Supply Chain Cost.

MSRP is Manufacturer's Suggested Retail Price.

MTM see MARK-TO-MARKET.

MUD is Multi Unit Discount.

MULTINATIONAL is involving or operating in several nations or nationalities (Example: Multinational corporations).

MULTIPLE see PRICE/EARNINGS RATIO.

MULTIPLE REGRESSION of approximating cost is a statistical method that can be used to estimate a cost function when there is more than one independent variable.

MULTIPLIER is a. the investment multiplier which quantifies the overall effects of investment spending on total income; or, b. the deposit multiplier which shows the effects of a change in bank deposits on the total amount of outstanding credit and the money supply.

MUTUAL AGENCY is the right of all partners in a partnership to act as agents for the normal business operations of the partnership, with the authority to bind it to business agreements.

MUTUAL FUND, according to the SEC, is a company that brings together money from many people and invests it in stocks, bonds or other assets. The combined holdings of stocks, bonds or other assets the fund owns are known as its portfolio. Each investor in the fund owns shares, which represent a part of these holdings.

NAGBOR is Net Adjusted Gross Box Office Receipts.

NASD is National Association of Securities Dealers.

NASDAQ is a computerized system established by the NASD to facilitate trading by providing broker/dealers with current bid and ask price quotes on over-the-counter stocks and some listed stocks. Unlike the Amex and the NYSE, the NASDAQ (once an acronym for the National Association of securities Dealers Automated Quotation system) does not have a physical trading floor that brings together buyers and sellers. Instead, all trading on the NASDAQ exchange is done over a network of computers and telephones. Also, theNASDAQ does not employ market specialists to buy unfilled orders like the NYSE does. The NASDAQ began when brokers started informally trading via telephone; the network was later formalized and linked by computer in the early 1970s. In 1998 the parent company of the NASDAQ purchased the Amex, although the two continue to operate separately. Orders for stock are sent out electronically on the NASDAQ, where market makers list their buy and sell prices. Once a price is agreed upon, the transaction is executed electronically.

NATURAL ACCOUNTS in the Chart of Accounts are user defined accounts for the activities associated with the accounting entity that capture data at the transaction level. Natural accounts exist for a range of Assets, Liabilities, Equity accounts, Revenues, and Expenses.

NATURAL BUSINESS YEAR is a fiscal year based on the cycle of the given business rather than a calendar year. The year ends with inventories and activities at a low level, e.g., after winter shipments for a ski manufacturer.

NATURAL CLASSIFICATION of costs focuses on the nature of the cost item. In this classification structure, the total operating costs of an activity can be classified into manufacturing costs and commercial costs. Manufacturing costs include all direct materials and direct labor, as well as, factory overhead. Such factory overhead costs include indirect materials (such as factory supplies & lubricants), indirect labor (such as supervision and inspection) and other indirect costs (such as rent, insurance, and utilities). Commercial expenses include marketing expenses (such as advertising, printing, and sales salaries) and administrative (general and administrative (G&A)) expenses (such as administrative office salaries, rent, and legal expenses).

NCD is Negotiable Certificate of Deposit.

NEAR-CASH ASSETS are non-cash assets that can be readily exchanged for cash within a relatively short period (e.g., short-term CD's and money market funds).

NEBT is Net Earning Before Taxes.

NEGATIVE AMORTIZATION is a loan repayment schedule in which the outstanding principal balance of the loan increases, rather than amortizing, because the scheduled monthly payments do not cover the full amount required to amortize the loan. The unpaid Interest is added to the outstanding principal, to be repaid later.

NEGATIVE CASH FLOW is where expenditures required to maintain an investment exceed income received on the investment, i.e. spending in a business is greater than earnings.

NEGATIVE CONTRIBUTOR is any item, activity, or cost that offsets attainment of positive results, e.g., a rise in unemployment and its effect upon the economy.

NEGATIVE GOODWILL arises where the net assets at the date of acquisition, fairly valued, exceed the cost of acquisition. It is reflected on the balance sheet net of other intangible assets. Negative goodwill is recognized as income as follows:

- To the extent that negative goodwill relates to expected future losses and expenses, it is recognized in the income statement when the future losses and expenses are recognized.
- The amount of negative goodwill relating to identifiable non-monetary assets (not exceeding the fair values of such acquired assets), is recognized as income on a systematic basis over the remaining useful lives of the identifiable acquired depreciable/amortizable assets with a maximum of 20 years.
- The amount of the negative goodwill in excess of the fair values of the acquired identifiable non-monetary assets is recognized as income immediately.
- The amount of the negative goodwill relating to monetary assets is recognized as income immediately

NOTE: Intangible assets are not revalued.

NEGATIVE PLEDGE CLAUSE is a covenant or promise in an indenture agreement that states the corporation will not pledge any of its assets if doing so would result in less security to the debt holders covered under the indenture agreement. Also called covenant of equal coverage.

NEGATIVE WORKING CAPITAL is when current liabilities exceed current assets.

NEGLIGENCE is the omission to do something which a reasonable man, guided by those ordinary considerations which ordinarily regulate human affairs, would do, or the doing of something which a reasonable and prudent man would not do.

NEGOTIABLE INSTRUMENT can be a check, promissory note, bill of exchange, security or any document representing money payable which can be transferred to another by handing it over (delivery) and/or endorsing it (signing one's name on the back either with no instructions or directing it to another). A negotiable instrument is a contract and subject to the rules governing contract law. However, a negotiable instrument may be distinguished from an ordinary contract by the fact that a negotiable instrument may be written in a way that makes it transferable. This quality of negotiation can generally allow the instrument to be used as a substitute for money by holders in due course, despite the defensive claims between the original parties who drafted the negotiable instrument. In order to be negotiable, the bill or note must be payable to order, or to bearer. Some promissory notes contain a clause(s) making them non-negotiable.

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

NET ACCOUNTS RECEIVABLE is equal to total accounts receivable, minusan estimate for amounts the company believes it will never collect.

NET ASSETS is the difference between total assets and current liabilities including noncapitalized long-term liabilities.

NET ASSETS BASIS is a simple division of net asset attributable to the class of shareholders with the number of shares, i.e. the per share value of net assets.

NET ASSET VALUE (NAV) in securities, except money market funds which always have a NAV of $1.00, represents the market value or price of one fund share. It is calculated by the total value of the fund's portfolio less liabilities divided by the number of shares; or, in corporate valuations, it is a measure of the shareholders' aggregate wealth in the company, which is defined as the actual or hypothetical market value of the company's assets less its liabilities.

NETBACK is linkage of the price of crude oil to the market price of products refined from it.

NET BOOK VALUE is the current book value of an asset or liability; i.e., its original book value net of any accounting adjustments such as depreciation.

NET CASH FLOW equals cash receipts minus cash payments over a given period of time; or equivalently, net profit plus amounts charged off for depreciation, depletion, and amortization. also called cash flow. Net cash flow is a measure of a company's financial health.

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 CURRENT ASSETS see WORKING CAPITAL.

NET DEBT is: debt + short term loans less cash on hand.

NET EARNINGS see NET PROFIT.

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 INTEREST INCOME see NET INTEREST MARGIN.

NET INTEREST MARGIN is the interest income earned on assets less interest expense paid on liabilities and capital. NET INTEREST MARGIN is the gross margin for financial institutions.

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 MARGIN see NET PROFIT MARGIN.

NET OF TAXES means the effect of applicable taxes (usually income taxes) has been considered in determining the overall effect of an item on the financial statements. The phrase is used when a company has items that must be disclosed in a separate section. Each such item should be reported net of the applicable taxes.

NET OPERATING INCOME (NOI) is income after deducting for operating expenses but before deducting for income taxes and interest.

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 OPERATION PROFIT AFTER TAXES (NOPAT) is a profitability measure that omits the cost of debt financing (i.e. it omits interest payments, along with their associated tax break). NOPAT is primarily used in the calculation of EVA. It is calculated: NOPAT = operating income x (1 - Tax Rate).

NET PATIENT REVENUE (NPR), in hospitals, is gross inpatient revenue plus gross outpatient revenue minus related deductions from revenue.

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 (NPM 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. For a business to be viable in the long term profits must be generated; making the net profit margin ratio one of the key performance indicators for any business. It is important to analyze the ratio over time. A variation in the ratio from year-to-year may be due to abnormal conditions or expenses which need to be addressed. A decline in the ratio over time may indicate a margin squeeze suggesting that productivity improvements may need to be initiated. In some cases, the costs of such improvements may lead to a further drop in the ratio or even losses before increased profitability is achieved.

NET PROFIT MARGIN (NPM 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 prior to any tax considerations which may mask performance. For a business to be viable in the long term profits must be generated; making the net profit margin ratio one of the key performance indicators for any business. It is important to analyze the ratio over time. A variation in the ratio from year-to-year may be due to abnormal conditions or expenses which need to be addressed. A decline in the ratio over time may indicate a margin squeeze suggesting that productivity improvements may need to be initiated. In some cases, the costs of such improvements may lead to a further drop in the ratio or even losses before increased profitability is achieved.

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

NET RECEIVABLES are a company's accounts receivable (money owed to the company) minus any provisions for bad debts.

NET REVENUE is GROSS REVENUE less discounts, allowances, sales returns, freight out, etc.

NET SALES is gross sales less discounts, allowances, sales 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 10, 30, etc. usually refers to payment terms on an invoice, e.g. 'Net 10 2%, 30', would mean that if a purchaser pays the invoice within 10 days a

2% reduction in invoice amount may be enjoyed, but full invoice amount is due within 30 days.

NETTING can be the settling of mutual obligations at the net value of a contract as opposed to its gross dollar value; or, the reduction of transfers of funds between subsidiaries or separate companies to a net amount.

NET-TO-NET LEASE is where a tenant pays a basic rental amount typically based on the square footage of the leased property plus all or a portion of the charges associated with the property including but not limited to property taxes, utilities, insurance, assessments and property maintenance.

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

NEUTRALITY, in an economic model, is where money is said to be neutral in the model if changes in the level of nominal money have no effect on the real equilibrium.

NEXUS, dependent upon usage, is a. the means of connection between things linked in series; or, b. a connected series or group; or, c. is the sufficient presence within the jurisdiction of a taxing authority. The taxable income of a multistate corporation may be apportioned to a specific state only if the corporation has a sufficient nexus in the state. The nexus for state sales tax requires a physical presence in the state, whereas the nexus for state income tax purposes requires more than just solicitations of sales.

NFP ACCOUNTING STANDARDS are established by the Financial Accounting Standards Board (FASB) or the Government Accounting Standards Board (GASB). Additionally, the American Institute of Certified Public Accountants (AICPA) influences the accounting for nonprofit organizations with its industry and accounting guides and Statements of Position (SOPs).

NIAT is Net Income After Taxes.

NIM is Net Interest Margin.

NOMINAL means small payment, or value.

NOMINAL ACCOUNTS are those accounts that are closed out each period: revenue accounts, expense accounts, and dividend or withdrawals accounts.

NOMINAL DOLLARS are dollars that have not been adjusted for inflation.

NOMINAL CAPITAL is total face value of authorized issuable capital.

NOMINAL INTEREST RATE is the stated, or named, interest rate in a note or contract; the nominal interest rate may differ from the true or effective interest rate. See EFFECTIVE INTEREST RATE.

NOMINAL LEDGER is the account book showing expenditure on nominal accounts i.e. named business accounts such as postage, printing, etc.

NOMINAL VALUE is the par, or face, value of something e.g. a share issue.

NON-CASH EXPENSE is that expense which is recognized within the financial statements without actual cash being disbursed (e.g., depreciation, amortization, and write-offs).

NON-CASH FINANCING & INVESTING is where information about transactions and other events that do not result in any cash flows during the financial year but affect assets and liabilities that are recognized must be disclosed in the financial report where the transactions and other events: a. involve parties external to the entity; and b. relate to the financing or investing activities of the entity.

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.

NON-EQUITY SHARE is a share in an entity that a. evidences indebtedness of the entity to the holder of the share, and b. does not represent an equity interest in the entity.

NON-EXPENDABLE PROPERTY is durable (e.g., equipment and furniture), lasting for a year or longer, and generally has a high dollar value. Non-expendable property must be accounted for throughout its useful life.

NON-EXPENSE CASH DISBURSEMENT is spending not shown on the income statement, i.e., the expenditure of cash on something that does not appear on the profit-and-loss statement, for example, spending on a fixed asset or discharging part or the entire principal in a debt.

NON-FIXED ASSET is normally equipment and furnishings with an original purchase value less than some pre-determined value (e.g., <$1,000 in acquisition cost assets are considered to be non-fixed assets). These items are not assigned asset inventory tags. Typical examples of non-fixed asset items are calculators, typewriters, chairs, desks, filing cabinets, shelving units and small tools.

NON-FIXED INCOME refers to any income that is not fixed, e.g. wages, profits realized on the sale of assets and/or securities. See FIXED INCOME.

NON-INTEREST BEARING BOND is a bond issued at a discount from its par value and not paying any interest to the holder. The interest earned is determined by the difference between the redemption price and the

purchased price. U.S. Treasury bills are an example of non-interest bearing bonds.

NON-INTEREST INCOME, in securities, is comprised of service fees and trading and other income, excluding gains/losses on securities transactions.

NON-MONETARY ASSET see MONETARY ASSET.

NON-PERFORMING ASSET is an asset not effectual in the production of income. For example, in banking, commercial loans 90 days past due and consumer loans 180 days past due are classified as non-performing.

NON-PROFESSIONAL SUBSCRIBER means any natural person who is neither: (a) registered or qualified in any capacity with the SEC, the Commodities Futures Trading Commission, any state securities agency, any securities exchange or association, or any commodities or futures contract market or association; (b) engaged as an "investment advisor" as that term is defined in Section 201 (11) of the Investment Advisors Act of 1940 (whether or not registered or qualified under that Act); nor, (c) employed by a bank or other organization exempt from registration under federal or state securities laws to perform functions that would require registration or qualification if such functions were performed for an organization not so exempt. See PROFESSIONAL SUBSCRIBER.

NONPROFIT ORGANIZATION is one that has committed legally not to distribute any net earnings (profits) to individuals with control over it such as members, officers, directors, or trustees. It may pay them for services rendered and goods provided. Also known as NOT-FOR-PROFIT ORGANIZATION.

NONRECURRING is an income statement item that is infrequent in occurrence or unusual in nature.

NON-TRADE DEBT is that debt where invoices are issued to individuals not suppliers (trade).

NO-PAR VALUE CAPITAL STOCK are shares designated in the charter that do not have a par or assigned value printed on the issued stock certificate.

NOPAT see NET OPERATION PROFIT AFTER TAXES.

NOPLAT is Net Operating Profit Less Adjusted Taxes.

NORMAL BALANCE, in accounting, is the side of an account, whether debit or credit, to which increases to the account are recorded.

NORMALIZED EARNINGS is earnings that have been adjusted in order to take into account the effect of cycles in the economy.

NORMAL LOSS takes into account the nature of many process operations is such that the output volume is frequently less than the input volume. Because process operations are repetitive, the level of 'losses' of materials/product that could reasonably be expected under efficient operating conditions may be established. This is referred to as a 'normal' loss; one that is an inevitable consequence of the process operation under efficient operation conditions and is thus considered unavoidable. Losses greater (ABNORMAL LOSS) or less (ABNORMAL GAIN) than normal are referred to as 'abnormal' and result from reduced or greater efficiency.

NORMAL PROFIT is the opportunity cost of using entrepreneurial abilities in the production of a good, or the profit that could have been received by entrepreneurship in another business venture. Like the opportunity costs of other resources, normal profit is deducted from revenue to determine economic profit. It is, however, never included as an accounting cost when accounting profit is computed.

NORMAL RATE OF RETURN, for individuals, is the average rate of return on all investments, i.e. the average of all returns yields the normal rate of

return. For capital investments for businesses, it is the profit relative to capital investment.

NORMAL SPOILAGE consists of defective units that arise as part of regular operations. If normal spoilage arises from the requirements of a specific job, the cost of the spoiled units is charged to the job.

NORMATIVE ACCOUNTING THEORY is where theorists tend to advocate their opinions on accounting based upon subjective opinion, deductive logic, and inductive methods. In the final analysis, nearly all standards are based upon normative theory. Generally conclude that some accounting rule is better or worse than its alternatives. Normative theorists tend to rely heavily upon anecdotal evidence (e.g., examples of fraud) that generally fails to meet tests of academic rigor. For example, the Wizard reported that Montgomery Ward would fail. However, the Wizard always reports that every company will fail or lose its self identity in a pattern of acquisitions and mergers. Eventually, he will always be correct.

NOSTRO ACCOUNT is an account held by a bank in a foreign country in the currency of that country e.g., a German bank with an account in New York will call the record in its own books of its New York account a nostro account.

NOTARIAL is relating to or done by a notary public.

NOTARY PUBLIC is a certifier of legal documents, i.e., somebody who is legally authorized to certify the authenticity of signatures and documents. Also called notary.

NOTE see PROMISSORY NOTE.

NOTES PAYABLE are all note obligations, including bank and commercial paper. Does not include trade notes payable.

NOTES RECEIVABLE is a debt due from borrowers evidenced by a written promise of payment. Note receivable, an entry on the asset side of many

corporate balance sheets, indicates the dollar amount of loans due to be repaid by borrowers.

NOTES TO THE FINANCIAL STATEMENTS is a detailed set of notes immediately following the financial statements contained in the annual report that expands upon and/or explains in some depth the information contained in the financial statements.

NOT-FOR-PROFIT ACCOUNTING is the adherence to NFP ACCOUNTING STANDARDS. These standards are established by the Financial Accounting Standards Board (FASB) or the Government Accounting Standards Board (GASB). Additionally, the American Institute of Certified Public Accountants (AICPA) influences the accounting for nonprofit organizations with its industry and accounting guides and Statements of Position (SOPs).

NOT-FOR-PROFIT ORGANIZATION see NONPROFIT ORGANIZATION.

NPPE is Net Property, Plant and Equipment.

NPR see NET PATIENT REVENUE.

NPV is an acronym for Net Present Value.

NRGT (Non-Resettable Grand Total) is a concept used in retail point of sale (POS) terminals that does not allow the Grand Total to be reset, but does allow adjustments to be entered, e.g., errors, overwring, etc. Improved security and control is provided for independent retail and chain operations with a Non-Resettable Grand Total (NRGT). Updated by all sales, this valuable audit figure may be selected by programmability to print on the Daily Business Report.

NRV, in accounting, is Net Reserve Value.

NSF is Not Sufficient Funds (return check reason code).

NTA can mean either Net Tangible Assets or Net Total Assets.

NWC is Net Working Capital.

NZIAS is New Zealand International Accounting Standards.

NZICA stands for New Zealand Institute of Chartered Accountants.

NZIRFS is New Zealand International Financial Reporting Standards.

OAC is On Approved Credit.

O&M is an acronym for either Operations & Maintenance or Operations & Management.

OASDI is Old-Age, Survivors, and Disability Insurance (US Social Security).

OBJECT CODE designates the type of expense or revenue to be charged to an account.

OBJECT COST is the total cost of producing an item: direct cost (labor & material) + overhead cost = Total Object Cost.

OBJECTIVE is a statement that is written in terms of specific measurable time-based and verifiable outcomes that challenge the organization to be more responsive to the environment to achieve the desired goals. Dependent upon usage, GOALS are general in nature, while OBJECTIVES are specific, measurable and time-based. In some organizations, the meanings for GOAL and OBJECTIVE are reversed.

OBJECTIVITY PRINCIPLE states that accounting will be recorded on the basis of objective evidence. Objective evidence means that different people looking at the evidence will arrive at the same values for the transaction. Simply put, this means that accounting entries will be based on fact and not on personal opinion or feelings.

OBLIGATE is to cause to be indebted or grateful. To de-obligate would be to enable the debt to be forgiven or expunged.

OBLIGATION, in business, is a legal duty to pay or do something.

OBLIGATION BOND is a bond signed by a mortgagor (borrower) for an amount greater than the loan amount. Such a bond creates a personal obligation on the part of the borrower and assures the lender of recourse in case of nonpayment of property taxes and insurance or past due interest on the mortgage.

OCBOA is Other Comprehensive Basis of Accounting.

OCI see OTHER COMPREHENSIVE INCOME.

OCCUPANCY COST is any cost or charge incurred by a tenant pursuant to its lease, such as rent, operating expense increases, parking charges, moving expenses, remodeling costs, etc.

OCF see OPERATING CASH FLOW.

OCOGS is Operating Cost of Goods Sold.

OCOR see OPPORTUNITY COST OF REVENUE.

OCSE is Office of Child Support Enforcement.

OEI is Outside Equity Interest.

OEM is an acronym for Original Equipment Manufacturer.

OFA is Oracle Flexible Architecture or Oracle Financial Accounting.

OFF-BALANCE SHEET is not fully documented accounting transactions that can potentially incur risks of loss that are not fully transparent to investors.

OFF-BALANCE SHEET ASSET is an item representing a resource of the entity or something that is projected to have future economic value. It is a positive indicator of the entities financial position even though it is not contained within the balance sheet.

OFF-BALANCE SHEET FINANCING a. is a form of borrowing in which the obligation is not recorded on the borrower's financial statements. Off-balance sheet financing can employ several different techniques, which include development arrangements, leasing, product financing arrangements or recourse sales of receivables. Off-balance sheet financing will raise concerns regarding the lenders' overall risk, but it improves their debt to equity ratio, which enhances their borrowing capacity. As a result, loans are often easy to arrange and are given lower interest rates because of the improved debt structure on the balance sheet. Off-balance sheet financing is a technique

often used by multinational businesses in order to secure additional loans on the worldwide loan market; and, b. is a method of obtaining funds through a long-term non-cancelable lease that is accounted for as an operating lease. The lease does not meet the criteria of a 'capital lease'. This being the case, the present value of the lease obligation in not included in the lessee's balance sheet.

OFF-BALANCE SHEET LIABIILITY is an item not reported within the body of a financial statement as a liability that may require future payment or services, e.g., litigation, renegotiated claims within a government contract, and guarantees of future performance.

OFF-BOOK PARTNERSHIP is a type of blind trust. It offers some advantages over the traditional methods of capital procurement. In some cases there is a fatal lack of transparency (e.g. Enron) that allows off-book partners to hide debts, pump profits, launder money and enrich insiders, but ultimately bankrupting the company and stripping assets from its employees' pension funds. See BLIND TRUST.

OFFER PRICE see ASK PRICE.

OFF-FRONT PAYMENT see UP-FRONT PAYMENT.

OFFICIAL INTEREST RATE, normally, is the rate of interest charged by the government or traders within the money market, e.g., federal funds rate and bank repurchase agreement (repo rate).

OFF-PEAK is not in the period of most frequent or heaviest use: lower rates for telephone calls made during off-peak hours; travelers who take advantage of off-peak fares. See PEAK.

OFFSET is: a. In banking, the deduction by a debtor from a claim or demand of a debt or obligation. Such an offset is based upon a counterclaim against the party making the original claim. Example: Seller makes a claim or files a

lawsuit asking for $20,000 from Debtor as the final payment in purchase of a restaurant; as part of his defense Debtor claims an offset of $10,000 for alleged funds owed by Seller for repairs Debtor made on property owned by Seller, thus reducing the claim of Seller to $10,000; b. in accounting, the amount equaling or counterbalancing another amount on the opposite side of the same ledger or the ledger of another account; c. in securities, the elimination of a long or short position by making an opposite transaction. See also OFFSET ACCOUNT.

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

OFFSETTING ENTRY see OFFSET.

OFFSOURCE, slang, is to outsource to an offshore location to primarily save on the cost of labor. See OUTSOURCE.

OFF THE BOOKS is a term associated with transactions which do not appear in any of the financial records kept by a business. Strictly speaking, 'off the books' implies cash payments received for assets (products and services) which are not officially recorded in the accounting system of the business.

OMAD is Output Message Accountability Data. In SAP transactions, it is the Number Ranges for Batch Numbers.

OMITTED is to leave undone or leave out, i.e. to prevent from being included or considered or accepted.

ON ACCOUNT is a partial payment made towards satisfaction of a debt.

ONE-OFF is a happening that occurs only once and is not repeated, e.g. a one-off sale is a sales event that will occur only once.

ONEROUS CONTRACT is one in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits to be received under the contract.

ONE-SHOTS is slang for governmental expenditures done on a one time appropriation.

ONE-WRITE SYSTEM (also known as PEGBOARD SYSTEM) is a useful system for small and home-based businesses. It captures information at the time the transaction takes place. These One-Write Systems are efficient because they eliminate the need for recopying the data and are compatible with electronic data processing if you should decide to computerize. Many small businesses rely totally on the One-Write System for simplicity and versatility. With only two pieces of paper, a check and a ledger, you get all the benefits of sound bookkeeping: accuracy, money distribution, check control, audit trail, running bank balance, and instant review.

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 ALLOTMENT is where there is no restriction as to an amount that may be taken from that which is being allotted.

OPEN-BOOK CREDIT is a form of trade credit in which sellers ship merchandise on faith that payment will be forthcoming.

OPEN INFLATION means that prices are rising on consumer goods and services.

OPENING BALANCE is the balance of an account at the start of an accounting period.

OPEN ITEM is a contractual or scheduled commitment that is not yet reflected in Financial Accounting but will lead to actual expenditures in the future, e.g. a purchase order that is not shipped in full will list those unshipped items as open items within the shipping invoice.

OPEN MARKET VALUE (OMV) is an opinion of the best price at which the sale of an interest in an asset would have been completed unconditionally for cash consideration on the date of valuation, assuming:
(a) a willing seller;
(b) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the asset and state of the market) for the proper marketing of the interest, for the agreement of price and terms and for the completion of the sale;
(c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;
(d) that no account is taken of any additional bid by a purchaser with a special interest; and
(e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion.

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

OPERATING ALLOWANCE is an advance/reimbursement against certain costs/expenses and/or a reduction in amount payable to cover those certain costs/expenses.

OPERATING ASSETS are 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 BUDGET focuses on the budgeted income statement and its supporting components and schedules:

1. SALES AND COLLECTIONS BUDGET represents one of the first steps in the budgeting process, as items such as inventory levels and operating expenses are driven off of the Sales and Collections Budget. Effective sales budgeting is a key factor in building a useful and representative financial model for a business. Regardless of the nature of your business (for example, whether it is product or service-based).
2. COST OF GOODS SOLD BUDGET decomposes, or breaks down, the components of a business's cost of goods sold (in some cases referred to as the cost of revenues). This budget breaks out each separate factor underlying the cost of goods sold for a business.
3. INVENTORY AND PURCHASES BUDGET represents what a business plans to buy and how much inventory it intends to hold over a given timeframe, is based on three factors: a business's desired ending inventory, cost of goods sold, and beginning inventory. A business's desired ending inventory will drive that business' budgeted purchases over a given period of time. A larger desired ending inventory will typically lead to a larger Purchases Budget and vice-versa. While the Purchases Budget, a component of the Inventory and Purchases Budget, represents an estimate of future purchases, this is an accrual-based accounting figure, and it is the Disbursements for Purchases Budget (another component of the Inventory and Purchases Budget) that drives a company's cash flows.
4. OPERATING EXPENSES BUDGET forecasts all of the elements of a business' operating expenses, such as salaries, rent, depreciation, and others. Some of these expenses are fixed and some are variable (in other words, based on another metric, such as revenues). While the Operating Expenses Budget represents an estimate of future expenses, this is an accrual-based accounting figure, and it is the Disbursements for Operating Expenses Budget, a component of the Operating Expenses Budget, that drives a company's cash flows.

OPERATING CASH FLOW (OCF) is the amount used to represent the money moving through a company as a result of its operations, as distinct from its purely financial transactions.

OPERATING CASH FLOW RATIO is a measure of how well current liabilities are covered by the cash flow generated from a company's operations. It is calculated: OCF = Cash Flow From Operations / Current Liabilities.

OPERATING COST is the expense of maintaining property (e.g., paying property taxes and utilities and insurance); it does not include depreciation or the cost of financing or income taxes. Also known as OPERATING EXPENSE.

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 EXPENSES BUDGET forecasts all of the elements of a business' operating expenses, such as salaries, rent, depreciation, and others. Some of these expenses are fixed and some are variable (in other words, based on another metric, such as revenues). While the Operating Expenses Budget represents an estimate of future expenses, this is an accrual-based accounting figure, and it is the Disbursements for Operating Expenses Budget, a component of the Operating Expenses Budget, that drives a company's cash flows.

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; thereby giving an indication of the efficiency of the cost structure of the company. It gives an indication of the ability of a business to convert income into profit. Generally,

businesses with low ratios will generate more profit than others. In general business operations with larger and more stable cash flows can sustain higher ratios than smaller and less stable operations. Scale and income stability are important considerations though it is up to the management of a business to monitor costs in an appropriate manner whatever its size.

OPERATING EXPOSURE, in foreign exchange, is currency fluctuations combined with price level changes that can alter the amounts and riskiness of a firm's future revenues and costs. It is typified by evaluating real exchange gains or losses. It is prospective and long-term in nature.

OPERATING INCOME is revenue less cost of goods sold and related operating expenses that are applied to the day-to-day operating activities of the company. It excludes financial related items (i.e., interest income, dividend income, and interest expense), extraordinary items, and taxes.

OPERATING INTEREST is the legal right to assets used to produce revenue, e.g., produce oil or gas from a well, accompanied by the responsibilities to pay production costs and assume the risks.

OPERATING LEASE is a short-term, cancelable lease.

OPERATING LEVERAGE is fixed operating costs divided by total (fixed plus variable) operating costs.

OPERATING MARGIN is the ratio of operating income to sales revenue.

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.

OPERATING RATIO measures a firm's operating efficiency; calculated: company operating expenses divided
by its operating revenues.

OPERATING REVENUE is that revenue realized from the day-to-day operations of the entity, e.g., sales revenue.

OPERATING RISK is the inherent or fundamental risk of a firm; without regard to financial risk. It is the risk that is created by operating leverage. Sometimes called business risk.

OPERATING TRANSFER specifically identifies the transfer of resources from one fund/account to another made to support the normal level of operations of the receiving fund/account.

OPERATION AGREEMENT, within an LLC, is similar to the constitution of a corporation. It is drafted primarily because an LLC only has a basic Articles of Organization that is very general in nature. An Operation Agreement has much more specificity as to the formation and operation of the LLC organization.

OPERATIONAL GEARING is the higher the proportion of fixed costs relative to variable operating costs, the higher the operational gearing. This results in greater business risk. A retailer has high fixed costs relative to variable costs, so has a lot of business risk. See GEARING and FINANCIAL GEARING.

OPPORTUNISM is a condition of self-interest seeking with guile whereby one party has information that the other party does not.

OPPORTUNISTIC BEHAVIOUR occurs where one party takes advantage of his superior knowledge, in order to further his/her interests, by failing to disclose such information to the other party. This would occur, for example, if a supplier of widgets had information about a product which was deliberately withheld from the potential buyer, in the knowledge that such information

would negatively affect the price of the product or the willingness of the buyer to purchase it.

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.

OPPORTUNITY COST OF REVENUE (OCOR) is where revenue/money held now may be invested to produce more money - thus we consider opportunity cost a return or more revenue.

OPPORTUNITY LOSS see OPPORTUNITY COST.

OPTIMAL PRICE is the profit maximizing price. It can be determined through various methods, but generally it is the demand price for the full capacity output of any given product.

OPTIMISM is a general disposition to expect the best in all things.

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.

OPTIONALITY TEST is part of the NAIC security insurer provisional exemption rules: A. Optionality Test: for corporate and municipal issues, principal and interest must be paid in US dollars, contract terms state that principal is repayable in full and the principal repayment schedule is fixed. Further the principal is set at closing, fixed in US dollars and coupon payments cannot be less than zero in any period. B. Optionality Test: for Asset-Backed/Residential Mortgage-Backed securities, the principal and interest must be paid in US dollars, and the coupon payment cannot be less than zero in any payment period. In addition, with the exception for credit enhancements, the timing and amount of cash flows to pay the obligation must depend on the timing and amount of cash flow from the assets underlying the bond. If the bond is prepaid immediately, the insurer must receive at least 98% of the purchase price.

ORDER ENTRY, normally, is a computerized relational database that, at a minimum, generates, schedules and maintains estimates, sales orders and backlogs. Invoices may also be created automatically if linked to Accounts Receivable. More advanced order entry systems are usually fully integrated with the accounting system.

ORDER INTAKE is all orders which were legally concluded during the respective accounting period under review and have also come into effect.

ORDER OF LIQUIDITY is when items on a balance sheet are listed in order of liquidity. After cash, the other current assets are listed in order of liquidity or nearness to cash (i.e. Accounts Receivable first, then Inventory…).

ORDER OF MAGNITUDE is a number assigned to the ratio of two quantities; two quantities are of the same order of magnitude if one is less than 10 times as large as the other; the number of magnitudes that the quantities differ is specified to within a power of 10.

ORDER OF PERMANENCE is where fixed assets are entered in the balance sheet in descending order of permanence (i.e. land first, then buildings, then equipment ...).

ORDINARY ASSET is a non-capital asset used for business purposes. See CAPITAL ASSET.

ORDINARY COURSE OF BUSINESS is the actions or results that would logically be expected in the regular or planned operating activities of a business as opposed to extra-ordinary transactions or activities, e.g. trade liabilities, capital asset procurement or revenue and its sources.

ORDINARY INCOME is the income derived from the regular operating activities of a business or individual, but exclusive of capital gains. Net income from a business, along with personal wages, interest, and dividends are examples of ordinary income.

ORDINARY SHARES see COMMON STOCK.

ORGANIZATIONAL COSTS see ORGANIZATION COST.

ORGANIZATIONAL CULTURE is the set of beliefs, values, and norms, together with symbols like dramatized events and personalities that represents the unique character of an organization, and provides the context for action in it and by it.

ORGANIZATION COST is amounts spent to begin a business entity, e.g., business filing fees, franchise acquisition, and legal fees. In the United States, costs associated with a corporation issuing or selling shares or other securities are capitalized and not tax deductible. Other organization expenses may be capitalized and amortized over a period of sixty (60) months or more; thereby providing possible tax relief through organization cost deductions. See also STARTUP COSTS.

ORIGINAL EQUIPMENT MANUFACTURER is a company that builds components or systems that are used in systems or products sold by another company using the purchasing company's brand. Sometimes referred to as "private label."

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.

OTC see OVER THE COUNTER.

OTHER COMPREHENSIVE INCOME (OCI) is part of total comprehensive income but is generally excluded from net income. Prior to SFAS 130, these three items—foreign currency translation adjustments, minimum pension liability adjustments, and unrealized gains or losses on available-for-sale

investments—were disclosed as separate components of stockholders' equity on the balance sheet. Under SFAS 130, they are to be reported as OCI. Furthermore, they must be reported separately, as FASB decided that information about each component is more important than information about the aggregate. Later, net unrealized losses on SFAS 133 derivatives were also included in the definition of OCI. The intent of SFAS 130 was that "if used with related disclosures and other information in financial statements, the information provided by reporting comprehensive income would assist investors, creditors, and other financial statement users in assessing an enterprise's economic activities and its timing and magnitude of future cash flows."

OTHER INCOME is income from activities that are not undertaken in the ordinary course of an entity's business.

OUT-OF-P0CKET are expenses requiring an outlay of cash in a given time period, e.g., payroll, advertising and other operating expenses, but not depreciation.

OUT-OF-THE-MONEY OPTION is an option that has no intrinsic value; for example, an option whose strike price, in the case of a put, is lower than the stocks current price, or in the case of a call, is higher. An investor who buys an out-of-the-money option is speculating that the option will rise in value and become in-the-money. See IN-THE-MONEY OPTION.

OUTPUT VAT is VAT on a company's sales. See also VALUE ADDED TAX (VAT).

OUTSOURCE is to obtain goods or services from an outside supplier; i.e., to contract work outside of your budget and control. (An example would be companies outsourcing a percentage of their direct labor in order to maintain a flexible workforce.).

OUTSTANDING is the amount owed as a debt, example: outstanding bills.

OUTSTANDING SHARES is the number of shares that are currently owned by all investors. It also includes restricted shares (shares owned by officers and insiders of the company) as well as shares held by the public. Shares that the company has repurchased or retired are not considered outstanding stock.

OUTTURN is what is produced in a given time period.

OVERAGE is that amount, as in money or goods, that is actually on hand and exceeds the desired or listed amount in records or books. Also known as SURPLUS.

OVER-APPLIED FACTORY OVERHEAD is the amount of factory overhead applied in excess of the actual factory overhead incurred for a production period.

OVER-BILLING is invoicing in excess of agreed upon pricing or exaggerating the amount of services or goods provided (sometimes illegally).

OVERDRAFT is, a. a draft in excess of the credit balance within an account; or b. a facility (usually at a bank or other financial institution) enabling an account holder to borrow up to an agreed amount and often for an agreed time.

OVERHAUL is to rebuild, make repairs or adjustments to, e.g. an overhaul expense would be the expenditures incurred in making the subject item(s) acceptable once again.

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.

OVERHEAD ABSORPTION is the term used for describing the transfer of value from a fixed asset such as a building or machine to the final product. In

this way the indirect costs of the entity can be assigned to the products or services supplied.

OVERHEAD BUDGET shows the expected cost of all production costs other than direct materials and direct labor. Budgeted variable overhead costs are based on a budgeted variable overhead rate multiplied by budgeted activity. Budgeted fixed overhead costs remain unchanged as the activity level changes within the relevant range. See OPERATING BUDGET.

OVERHEAD RATE is calculated by totaling all your expenses for one year, excluding labor and materials, and then divide this number by your total cost of labor and materials.

OVERLEVERAGED is a balance sheet condition where the entity is incapable of servicing its debt load (interest payments) with available capital sources. Simply put, the entity is carrying too much debt.

OVER THE COUNTER (OTC) is a U.S. market for securities that are not listed on an exchange. Security orders are transacted via telephone and a computer network that connect dealers. As opposed to the NYSE, which is an auction market, the OTC is a negotiated market. OTC dealers may either act either as principals or as agents for customers. The OTC market is regulated by the NASD.

OVERTRADING, in securities, is: a. excessive buying and selling by a broker in a discretionary account, or, b. practice of a member of an underwriting group inducing a brokerage client to buy a portion of a new issue by purchasing other securities from the client at a premium. In finance, it is when a firm expands sales beyond a level that can be financed with normal working capital.

OVERSTATED is when something is represented as greater than is true or reasonable.

OWNED RECEIVABLES is receivables carried on the balance sheet of the institution. See MANAGED RECEIVABLES.

OWNERS DRAW see PROPRIETORS DRAW.

OWNERS EQUITY see SHAREHOLDER'S EQUITY.

OWNER'S EQUITY RATIO see RETURN ON STOCKHOLDERS EQUITY.

OWN WORK CAPITALIZED represents the value of work performed for own purposes and capitalized as part of fixed assets.

QDRO see QUALIFIED DOMESTIC RELATIONS ORDER (QDRO).

QUALIFIED DIVIDENDS are the ordinary dividends received in tax years beginning after 2002 that are subject to the same 5% or 15% maximum tax rate that applies to net capital gain. They are shown in box 1b of Form 1099 –DIV. Qualified dividends are subject to the new 15% maximum capital gains rate if the applicable regular tax rate is 25% or higher. If the applicable regular tax rate is lower than 25%, qualified dividends are subject to the new 5% maximum capital gains rate. To qualify for the 5% or 15% maximum rate, all of the following requirements must be met: a. The dividends must have been paid by a U.S. corporation or a qualified foreign corporation; b. The dividends are not of the type listed later under Dividends that are not qualified dividends; and, c. The proper holding period is met. The following dividends are not qualified dividends. They are not qualified dividends even if they are shown in box 1b of Form 1099–DIV: a. Capital gain distributions; b. Dividends paid on deposits with mutual savings banks, cooperative banks, credit unions, U.S. building and loan associations, U.S. savings and loan

associations, federal savings and loan associations, and similar financial institutions. These amounts are reportable as interest income; c. Dividends from a corporation that is a tax-exempt organization or farmer's cooperative during the corporation's tax year in which the dividends were paid or during the corporation's previous tax year; d. Dividends paid by a corporation on employer securities that are held on the date of record by an employee stock ownership plan (ESOP) maintained by that corporation; e. Dividends on any share of stock to the extent that the shareholder is obligated (whether under a short sale or otherwise) to make related payments for positions in substantially similar or related property; and, f. Payments in lieu of dividends, but only if the shareholder knows or has reason to know that the payments are not qualified dividends.

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.

QUALITATIVE INFORMATION is information that is descriptive in nature, relating to, or involving quality or kind.

QUALITY OF EARNINGS is the increased earnings due to increased sales and cost controls, as compared to artificial profits created by inflation of inventory or other asset prices.

QUANTATIVE INFORMATION is information relating to, or expressible in, terms of quantity.

QUARTERLY REPORT see INTERIM STATEMENT.

QUASI-BUSINESS EXPENSES are those tax deductible expenses that could qualify as a personal or business expense dependent upon the situation, e.g. lavish automobiles, country club dues or dubious travel expenses.

QUICK ASSETS is current assets minus inventories.

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 *only* 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 and other current assets to liquidate short-term debt.

QUOTATION, dependent upon usage, is a. a statement of the current market price of a security or commodity; or, b. an offer to sell goods at a stated price and under specified conditions.

QUOTE is to name the price of an asset or service, e.g. stock price or investment.

QUOTE TO CASH covers the business process for creating a quote for a prospect or customer, order management, invoicing and cash receipt. The functionality is highly integrated with Supply Chain Management and Customer Management. In traditional systems, it is funded in modules like order entry and accounts receivable.

RAB is REGULATORY ASSET BASE.

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.

R&D see RESEARCH & DEVELOPMENT.

RANDOM SELECTION is a probability-based selection protocol in which each unit has a known probability of being selected. The chances of selection need not be equal for each unit, as long as the chances are known for each unit.

RAR, dependent upon context, is Resource Allocation Request, Revenue Agent Report (US IRS), Remedial Action Report, Report of Actual Reimbursements or Refill Authorization Request.

RATE BASE is the value of a regulated public utility and its operations as defined by its regulators and on which the company is allowed to earn a particular rate of return.

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. Ratio analysis allows 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 Ratio Analysis is 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 VentureLine database the comparison is conducted against the industry (SIC Code) in which each particular listing is associated.

RCLD see REPRODUCTION COST LESS DEPRECIATION.

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

REAL, dependent upon usage, means either 1. in economics, refers to measures such as cost, price and income, which are corrected for inflation over time in order to permit a comparison of actual purchasing power; or, 2. actual cost, as opposed to nominal.

REAL ACCOUNTS, also called permanent accounts, are the accounts; asset, liability, reserve and capital; whose balances are not canceled out at the end of an accounting period, but are carried over to the next period. These accounts appear on the post-closing trial balance and the statement of condition (balance sheet).

REAL ESTATE see REAL PROPERTY.

REALIZABLE VALUE is the expected proceeds from converting assets into cash.

REALIZATION PRINCIPLE is that revenue should be recognized at the time goods is sold and services are rendered.

REALIZED GAIN/LOSS, in securities, is a capital gain or loss on securities held in a portfolio that has become actual by the sale or other type of surrender of one or many securities. See also CAPITAL GAIN.

REALIZED INCOME see REALIZED NET INCOME.

REALIZED NET INCOME, in relation to a particular investment, is the amount by which the total cash gains from an investment exceeds the total losses from the investment. The Realized Net Income from any investment cannot be less than zero.

REAL PROPERTY is land and / or any permanent structures attached to it; to include saleable natural resources, e.g., vacant land, buildings, farms, oil, gas, timber, etc.

REASONABLE CERTAINTY is the degree of certainty that would be found to be in existence by a reasonable person.

REASONABLENESS TEST is where the expected value is determined by reference to data partly or wholly independent of the accounting information system, and for that reason, evidence obtained through the application of such a test may be more reliable than evidence gathered using other analytical procedures.

REASONABLE PERSON is a phrase to denote a hypothetical person who exercises qualities of attention, knowledge, intelligence, and judgment that society requires of its members for the protection of their interest and the interest of others.

REBATE is a. payment to a customer upon completion of a purchase as an inducement or sales promotion tactic; b. unearned interest refunded to borrower if the loan is paid off prior to maturity; c. amount paid back or credit allowed because of an over-collection or the return of an object sold (i.e., a refund).

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.

RECAST EARNINGS is a recalculation of earnings based on the assumption that certain expenses could be eliminated through new forms of cost savings. Recast earnings are often used in the analysis of a takeover or merger.

RECEIPT is a written acknowledgment that a specified article, sum of money, or shipment of merchandise has been received.

RECEIPTS this term, unless otherwise qualified, in accounting means cash received.

RECEIVABLE is an amount awaiting receipt of payment.

RECEIVABLES TURNOVER see ACCOUNTS RECEIVABLE TURNOVER.

RECEIVER is a court appointed person who takes possession of, but not title to, the assets and affairs of a business or estate that is in a form of bankruptcy called RECEIVERSHIP. The receiver collects rents and other income and generally manages the affairs of the entity until a disposition is made by the court.

RECEIVERSHIP is equitable remedy whereby a court orders property placed under the control of a RECEIVER so that it may be preserved for the benefit of affected parties. A failing company may be placed in receivership in an action brought by its creditors. The business is often continued but is subject to the receiver's control. See also BANKRUPTCY.

RECHARGE, in accounting, normally involves an activity that provides a specific, ongoing and repetitive good or service to an entity or projects and recovers the cost of providing the good or service from the entity served on a fee basis. Operating costs are supported by recharges to the departments or specific activity receiving the service.

RECIPROCAL INVESTMENT is primarily a protection measure between states (governments) that ensures that investment between two or more states is balanced.

RECOGNIZE or RECOGNITION is the recording of a revenue or expense item in a given accounting period.

RECONCILIATION is the adjusting of the difference between two items (e.g., balances, amounts, statements, or accounts) so that the figures are in agreement. Often the reasons for the differences must be explained. One example would be reconciling a checking account (bringing the checking ledger and bank balance statement into agreement).

RECORDING PRINCIPLE of 'Accrual Basis' of accounting is the recording of data based upon the period in which they are earned or incurred regardless of whether cash is received or disbursed in that period. The recording principle of 'Cash Basis' is the recording of data based on a cash transaction occurrence between two parties (an actual event).

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

RECOURSE NOTE is a note where the default may result in loss of collateral and also personal suit and judgment. Most notes are recourse notes.

RECOVERY, in finance, a. absorption of cost through the allocation of depreciation; b. residual cost or salvage value of a fixed asset after all allowable depreciation; or, c. collection of an accounts receivable that had been previously been written off as a bad debt.

RECURRING ENTRY is a scheduled accounting entry that occurs consistently as to date and amount, e.g. a monthly lease payment.

REDEEMABLE means cashable, i.e. able to be converted into ready money or its equivalent, e.g. redeemable stocks and bonds or a cashable check.

REDEMPTION is the repayment of the principal amount of a debt or security at or before maturity (as when a corporation repurchases its own stock).

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.

REDISCOUNT is to discount short-term negotiable debt instruments for a second time, after they have been discounted with a bank.

RED-WELLS are when legal records are set up in file folders and file pockets called "red-wells." Clients usually have several matters. Red-wells are usually four-inch filing media in which file folders are inserted. A legal file may have several standard components called "sub-files." These sub-files are normally inserted into red-wells.

REFERENDUM is when a legislative act is referred for final approval to a popular vote by the electorate, e.g., a bond referendum.

REFLATION is, upon recovering from a depression or a recession, the period during which prices are returned to the level they had attained during a period of prosperity by lowering the purchasing power of money is known as reflation.

REFUNDING is redeeming a bond with proceeds received from issuing lower-cost debt obligations with ranking equal to or superior to the debt to be redeemed.

REFURBISH is to renovate or clean up.

REG A see REGULATION A.

REG D see REGULATION D.

REGISTER, in accounting, is a formal or official recording of items within a book or register, e.g., Fixed Asset Register or Invoice Register.

REGISTERED BONDS are bonds for which the names and addresses of the bondholders are kept on file by the issuing company.

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

REGISTRATION RIGHTS is the right to require that a company register restricted shares. Demand Registered Rights enable the shareholder to request registration at any time, while Piggy Back Registration Rights enable the shareholder to request that the company register his or her shares when the company files a registration statement (for a public offering with the SEC).

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

REG S see REGULATION S.

REGULATION is the act of controlling or directing according to rule (e.g., the Securities Act of 1933 or SEC and FASB accounting regulations), i.e. it is the act of bringing to uniformity.

REGULATION A, in the USA, is a regulation under the Securities Act of 1933 providing for a simplified form of filing with the SEC, used for certain public offerings of not more than $5,000,000 and exempting such offerings from full registration.

REGULATION D, in the USA, is a regulation under the Securities Act of 1933 which exempts limited offers and sales of securities from registration if the offering satisfies certain requirements as to the number and nature of investors and the value of the offering. Advertising and resale are restricted. In general, Rule 504 of Reg D is used for offerings of $1 million or less; Rule 505 of Reg D is used for offerings of $5 million or less, with no more than 35 purchasers who are not Accredited Investors; and Rule 506 of Reg D is used for offerings over $5 million, with no more than 35 purchasers who are not Accredited Investors, but who must be either sophisticated or represented by a Purchaser Representative.

REGULATION S, in the USA, is a regulation under the Securities Act of 1933 which exempts from registration certain offers and sales of securities made outside of the United States by USA or foreign issuers.

REGULATORY ASSETS are those assets under control of a government entity, normally a utility, controlling access to the asset base as well as ascribing fees for gaining access to the use of the regulatory asset base being regulated.

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.

REIT is Real Estate Investment Trust.

RELATED ENTITY, in relation to a person, means any of the following:

(a) a relative of the person;
(b) a body corporate of which the person, or a relative of the person, is a director;
(c) a body corporate that is related to the body corporate referred to in paragraph (b);
(d) a director, or a relative of a director, of a body corporate referred to in paragraph (b) or (c);
(e) a beneficiary under a trust of which the person, or a relative of the person, is a trustee;
(f) a relative of such a beneficiary;
(g) a relative of the spouse of such a beneficiary;
(h) a trustee of a trust under which the person, or a relative of the person, is a beneficiary;
(i) a member of a partnership of which the person, or a relative of the person, is a member.

RELATED PARTY TRANSACTION is an interaction between two parties, one of whom can exercise control or significant influence over the operating policies of the other. A special relationship may exist, e.g. a corporation and a major shareholder.

RELATIVE CHANGE is a value that is properly related in size or degree or other measurable characteristics, e.g. cost of goods enjoyed a relative change of 9% as compared to prior period performance.

RELEVANCE CONCEPT refers to the capacity of accounting information to make a difference to the external decision makers who use financial reports.

RELEVANT is having a bearing on or connection with the subject at issue, e.g. relevant revenues from sales of Model XXX.

RELEVANT COST, in managerial accounting decision-making situations, is any negative-implications phenomenon which is consequent upon the production process, whether it is denominated in money terms or not.

RELEVANT RANGE is the range of activity over which changes in cost are of interest to management

RELIABILITY CONCEPT is a quality of information that assures decision makers that the information represented in the financial records and financial statements captures the actual conditions and events of the reported entity.

REMITTANCE ADVICE is a notice of payment due, either in paper form or as a notice of an electronic data interchange financial transaction.

REMITTING BANK is a bank that sends a draft to the overseas bank for collection.

REMUNERATION is the act of paying for goods or services or to recompense for losses (Example: Receiving remuneration for work, i.e., a paycheck).

RENEWAL NOTE is a note that renews a previous note due date.

RENT EXPIRED is based upon prepaid rent and the amount of time that has elapsed that is covered under the prepaid term of the rental.

REPLACEMENT COST is the total cost at current prices of an asset that is not necessarily an exact duplicate of the subject asset but serves the same purpose or function as the original.

REPLACEMENT RESERVE FUND, in real estate, is a fund set aside for replacement of common property in a condominium, PUD, or cooperative project; particularly that which has a short life expectancy, such as carpeting and furniture.

REPLACEMENT VALUE CONCEPT, in insurance, is loss coverage for assets at the cost required to purchase like assets at market value. The replacement value concept eliminates the often troublesome factor of used or depreciated value when claims for losses are adjusted.

REPLACEMENT VALUE is the cost to replace an item on the present market. 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.

REPO is a contract under which the seller of securities, such as Treasury Bills, agrees to buy them back at a specified time and price. Also called repurchase agreement or buyback.

REPORTABLE CONDITION is a matter coming to the auditor's attention relating to SIGNIFICANT DEFICIENCIES in the design or operation of the entity's internal control that could ADVERSLY AFFECT an entity's ability to fulfill future obligations with customers and/or the satisfaction of liabilities.

REPORTABLE EVENT see REPORTABLE CONDITION.

REPORTABLE SEGMENT is a business segment or geographical segment for which IAS 14 requires segment information to be reported.

REPORTED EARNINGS PER SHARE is the earnings per share after profit owed to preference shareholders or minority interests is subtracted, i.e. it is the profit that actually belongs to the ordinary shareholders.

REPORTING ENTITY is the legal entity for which financial reports are prepared and made available.

REPORTING PERIOD see ACCOUNTING PERIOD.

REPRESENTATION EXPENSES are those expenditures whose character and primary purpose is for representational or entertainment related activities, including receptions or banquets.

REPRODUCTION COST LESS DEPRECIATION (RCLD) is a technique for valuing electric distribution assets.

REQUIRED RATE OF RETURN see HURDLE RATE.

REQUISITION is a written request to buy something. Usually, once approved, the requisition is then transformed into a purchase order.

RESEARCH & DEVELOPMENT (R&D) is research as a planned activity aimed at discovery of new knowledge with the hope of developing new or improved products and services. Development is the translation of the research findings into a plan or design of new or improved products and services.

RESERVE is an accounting entry that properly reflects contingent liabilities.

RESERVE ACCOUNTS, generally, are those accounts where retained earnings are set aside to satisfy dividends, improvements, contingencies, retirement of preferred stock, etc.

RESERVE CAPITAL is that part of the nominal (current value) of a business that has not yet been called up. It is thus a reserve, which can be drawn on in case of need.

RESIDUAL, generally, is something left after other parts have been taken away.

RESIDUAL CLAIM is a claim to a share of earnings after debt obligations have been satisfied.

RESIDUAL EQUITY THEORY is the theory that common stockholders are considered to be the real owners of the business, i.e., Assets - Liabilities - Preferred Stock = Common Stock.

RESIDUAL INCOME is income from efforts which continue to generate revenue over time without requiring any additional effort (e.g., a stream of future royalty payments from a book).

RESIDUAL OWNERSHIP see RESIDUAL EQUITY THEORY.

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.

RESOURCE ABSORPTION, in business, is the depletion of the finite resources available to a company, i.e., labor, machinery, materials, etc.

RESPONSIBILITY ACCOUNTING is the collection, summarization, and reporting of financial information about various decision centers throughout an organization; can also be called profitability accounting or activity accounting. It tracks costs, revenues, or profits to the individual managers who are responsible for making the decisions about costs, revenues, or profits and taking action about them.

RESPONSIBILITY CENTER is a subunit in an organization whose manager is held accountable for specified financial results of its activities.

RESTATEMENT OF FINANCIALS are sometimes required by the IRS when the IRS, through audit, determines that IRS rules were not followed; either

lawfully or fraudulently. Such restatements usually have a negative effect on the financial results of the audited entity for the periods in question.

RESTRICTED is something that is curbed or regulated, e.g. restricted assets.

RESTRICTED ASSETS are assets / resources which are restricted by legal or contractual requirements for use under specific circumstances or purposes.

RESTRICTED DONATIONS see RESTRICTED ASSETS.

RESTRICTED STOCK is stock which is acquired through an employee stock option plan or other private means and which may not be transferred. Restricted stock may be forfeited if any SEC regulations related to it are violated or the employee either does not exercise his/her option or terminates employment prior to fully vesting.

RESTRUCTURING is the termination of employees and the reorganization of those remaining; can include reductions in plant and equipment. Restructuring is usually implemented to realize cost savings.

RESULTS FROM OPERATION is a synonym for the financial statement of a corporation: P&L, balance sheet, statement of cash flows, and sometimes a statement of owners equity. See FINANCIAL STATEMENT.

RETAIL is the selling of goods directly to consumers; usually in small quantities and not for resale.

RETAINAGE, in a construction contract, is the money earned by a contractor but not paid to the contractor until the completion of construction or another predetermined date. The retainage is held back as assurance for the quality of the contractors work.

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). It is comprised of the balance, either

debit or credit, of appropriated or unappropriated earnings of an entity that are retained in the business. NOTE: Appropriated earnings are not available for dividends, but may be used to reduce a deficit or may be transferred to stated capital. Other appropriations of profits require a vote of the shareholders.

RETAINED EARNINGS STATEMENT see STATEMENT OF RETAINED EARNINGS.

RETAINED PROFIT see RETAINED EARNINGS.

RETROACTIVE is to affect and modify things past, e.g. a retroactive tax increase.

RETROSPECTIVE is to be concerned with or related to the past, e.g. management's review of the prior years performance.

RETROSPECTIVE REIMBURSEMENT, in healthcare, is where reimbursement came after medical care was delivered.

RETURN ON ASSETS (ROA) shows the after tax earnings of assets. Return on assets is an indicator of how profitable a company is. Use this ratio annually to compare a business' performance to the industry norms: The higher the ratio the greater the return on assets. However this has to be balanced against such factors as risk, sustainability and reinvestment in the business through development costs.

RETURN OF CAPITAL is the distribution of cash that resulted from tax savings on depreciation, sale of a capital asset or securities, or any other sources unrelated to retained earnings.

RETURN ON CAPITAL EMPLOYED (ROCE) is a measure of how effectively the company is using its capital. The formula to measures the return on all the assets the company is using: Profit before interest and tax (PBIT) / (total assets - current liabilities)

RETURN ON EQUITY (ROE) measures the overall efficiency of the firm in managing its total investments in assets and in generating a return to stockholders. It is the primary measure of how well management is running the company. ROE allows you to quickly gauge whether a company is a value creator or a cash consumer. By relating the earnings generated to the shareholders' equity, you can see how much cash is created from the existing assets. Clearly, all things being equal, the higher a company's ROE, the better the company.

RETURN ON INVESTED CAPITAL (ROIC) is a measure of how effectively a company uses the money (owned or borrowed) invested in its company operations. It is calculated by: net income after taxes / (total assets less excess cash minus non-interest-bearing liabilities).

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).

RETURN ON NET WORTH see RETURN ON STOCKHOLDERS EQUITY.

RETURN ON RATE BASE is the ratio of net operating income earned by a utility, calculated as a percentage of its rate base.

RETURN ON SALES is a measure of a company's profitability, equal to a fiscal year's pre-tax income divided by total sales.

RETURN ON STOCKHOLDERS EQUITY is a measure of how profitably the company is utilizing shareholders' funds. It is calculated: profit after tax ÷ total stockholder's equity. Also called RETURN ON NET WORTH.

RETURNS INWARDS are goods sold on credit to a customer and returned for some reason to be refunded for (Sales returns).

RETURNS OUTWARDS are goods bought on credit from a supplier and returned for some reason to be refunded for (Purchases returns).

REVALUATION, in general, is the reconsideration of the value or worth of a property. In currency, it is the increase in the exchange rate of a currency as a result of official action.

REVALUATION RESERVE see ASSET REVALUATION RESERVE.

REVALUATION SURPLUS, under the revaluation model, increases in carrying amount above a cost-based measure are recognized as revaluation surplus.

REVENUE is the inflows of assets from selling goods and providing services to customers; including the reduction of liabilities from selling goods and providing services to customers.

REVENUE ADJUSTMENT is a journal entry to either increase or decrease revenue based upon new data; thereby either increasing or decreasing cash.

REVENUE BONDS are a type of municipal bond where principal and interest are secured by revenues such as charges or rents paid by users of the facility built with the proceeds of the bond issue. Projects financed by revenue bonds include highways, airports, and not-for-profit health care and other facilities.

REVENUE CONTRACT is a binding agreement between a governmental body and another party that defines the terms under which revenue will be received. A contract can be distinguished from a customer purchase order by the fact that a contract will contain the signatures of both parties, while a purchase order will contain only the signature of the customer.

REVENUE EXPENDITURE is the cost of resources consumed or used up in the process of generating revenue, generally referred to as expenses.

REVENUE JUSTIFIED is where the revenue realized from a product or service will pay for the cost and expenses of that product or service, i.e. the product or service will pay for itself.

REVENUE PRINCIPLE is where revenues are recorded when they are earned regardless of timing of cash receipts.

REVENUE RECOGNITION is the process of recording revenue, under one of the various acceptable methods, in the accounting period. In each period of revenue recognition, all related expenses should be matched to revenue. The most common method of recognizing revenue is at the time of sale or provisioning of service.

REVENUE RESERVE is a fund that is not a CAPITAL RESERVE, i.e. the funds are distributable.

REVERSE COST-BENEFIT METHOD is based on the short-cut rate of return formula and amounts to asking the question: given the cost of the investment, what level of annual benefits would produce a given rate of return (8 percent, for instance) on the investment?

REVERSE REPO see REVERSE REPURCHASE AGREEMENT.

REVERSE REPURCHASE AGREEMENT (reverse repo) is the opposite of a repo in that it is the purchase of securities (usually government debt) tied to an agreement to sell the security back at a later date at a higher price. Reverse repo's are normally short term agreements; primarily on an overnight basis.

REVERSE TAKEOVER can occur in different forms: 1. a smaller corporate entity takes over a larger one.; 2. a private company purchases a public one; or, 3. a method of listing a private company while bypassing most securities regulations, whereby which a shell public company buys out a functioning private company whose management then controls the public company.

REVERSING ENTRY is a very special type of adjusting entry. Generally, it is a debit or credit bookkeeping entry made to reverse a prior bookkeeping entry. They can be extremely useful and should be used where necessary. A reversing entry comes in two parts: the original adjusting entry, and the reverse, or opposite entry. The second entry is written by simply reversing the position of all debits and credits. Ultimately, the end result on the books is zero, but the adjusting entry serves to correctly allocate an expense, so the financial statements are correct.

For example: X Company has a payroll department, and cuts checks every two weeks after tabulating hours, and calculating net pay. A large number of allocations have to be made to various withholding accounts. The accountants don't want to interfere with the operations of the payroll department. And the employees also want the department to run efficiently so they can get their pay checks on time.

At the end of the year the accountants need to appropriately allocate payroll expenses, plus taxes due and payable. Rather than interfere with the payroll department the calculation is made on paper (or computer), and entered as an adjusting entry. It is marked to be reversed. After the closing entries are made, the first entries of the new year are the reversing entries. They undo the effects of the adjusting entry.

If the adjusting entry is not reversed, the books will not be correct. Both the accountants and payroll department will be making entries related to payroll. The reversing entry effectively allows the accountants to make adjusting entries without causing the books to be incorrect; the payroll department continues to make routine entries, and doesn't need to make any special entries or allocations.

REVERSION ASSET see ASSET REVERSION.

REVIEW is an accounting service providing some assurance to the Board of Directors and interested parties as to the reliability of financial data without

the CPA conducting an examination in accordance with generally accepted accounting standards. The AICPA auditing standards board formulates review standards for public companies while the AICPA Accounting and Review Services Committee provides review standards for non-public businesses.

REVOCABLE LETTER OF CREDIT is a letter of credit which can be cancelled or altered by the drawee (buyer) after it has been issued by the drawee's bank.

REVOLVING COLLATERAL are accounts receivable or inventory which change from day to day.

REVOLVING CREDIT is a line of credit extended to customers who may use it as often as desired up to a certain dollar limit. Items purchased using this line of credit may be paid in full upon receipt of a monthly statement, or they may be paid for in several installments, for which an interest charge is added. Also known as REVOLVING LINE OF CREDIT.

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. Also known as REVOLVING CREDIT.

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.

REWORK is to change an item in order to improve it or make it more suitable for a particular purpose, e.g. to rework a defective product into one that exhibits the quality required for acceptance.

RFP is Request for Proposal.

RFSB is Rehabilitation Fund for Small Businesses.

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.

ROA see RETURN ON ASSETS.

ROACE stands for Return on Average Capital Employed.

ROBUST is when a business is considered fully developed and healthy.

ROCC is an acronym for Return On Committed Capital.

ROE see RETURN ON EQUITY.

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).

ROIC see RETURN ON INVESTED CAPITAL.

ROLL FORWARD, in accounting, it is the systematic establishment of a new accounting period's balances by using (rolling forward) prior accounting period data. There are two approaches: 1. Roll forward both asset and liabilities on a consistent basis from a consistent earlier date (possibly the last annual review); or, take the most up to date asset and liability figures as the starting point (which may be at different dates) to produce roll forward

estimates of assets and liabilities; in securities, it is when an investor replaces an old options position with a new one having a later expiration date (and same strike price).

ROLL FORWARD BUDGET see CONTINUOUS BUDGET.

ROLLING STOCK is the equipment available for use as transportation, as automotive vehicles, locomotives, or railroad cars, owned by a particular company or carrier. Does not include aircraft or water borne craft.

ROLLOVER is: a. in U.S. real estate tax law, a delayed tax that allows you to apply the profit you make selling your old house to pay for the new one without paying capital gains taxes on the profit. In order to rollover the profits, the new house must be more expensive than the old and the two sales must occur within two years of each other; b. in investments, it is the transferring of funds from one investment to another such as rolling over the proceeds from a bond which has matured into another bond, or the rolling over of the proceeds of a share sale into a tax-efficient investment vehicle like a Venture Capital Trust; or, c. in banking, it is the term used when a borrower obtains authority from a bank to delay a principal payment on a loan.

ROYALTY is the share of the product, or of the proceeds realized from the product, reserved by an owner for permitting another entity to exploit and use that entity's property, i.e. it is the rental paid to the original owner of property based upon a percentage of sales, profit or production. Royalty can involve literary works, inventions, and other intellectual property, as well as mining leases and conveyances.

RPI, among many others, can be Retail Price Index, Real Property Inventory, Rapid Process Improvement, or Responsive Production Inventory.

RULE OF THUMB is a rough and useful principle or method, based on experience rather than precisely accurate measures.

RULES-BASED ACCOUNTING is where specific accounting rules are set forth and must be followed in order to comply with GAAP. For example, if an airline company leases a jet, the company must follow specific GAAP rules to determine if the transaction is an operating lease or a capital lease. The main difference being that a capital lease would have to appear on the balance sheet of the airline. Therefore, two virtually identical lease transactions could be classified entirely differently based upon how they follow the GAAP leasing rules. See also PRINCIPLES-BASED ACCOUNTING.

RUNNING RATE is a sustained constant rate, often the only important single rate except for zero observed under a given schedule (as in some ratio performances); also known as *stream rate*.

RUNNING TOTAL is the sum of any given set of numbers that is incremented/decremented as additional numbers become available over time. For example, a retail store makes sales throughout a time period, the running total is the sum of their sales, including returns/credits, at any given point of time during that time period: day, week, month, quarter, year.

RUN RATE, in finance, is how the financial performance of a company would look if you were to extrapolate current results out over a certain period of time. In accounting, it is the average annual dilution from stock option grants at a company over the most recent three year period reported in the annual report.

SAFE HARBOR RULE is a concept in statutes and regulations whereby a person who meets listed requirements will be preserved from adverse legal action. Frequently, safe harbors are used where a legal requirement is somewhat ambiguous and carries a risk of punishment for an unintended violation.

SAFETY STOCK (SS) or security stock ensures that the item is available up to the pre-defined required service level, even when the re-ordered material arrives later then expected, or the fluctuations in demand during the lead-time cause the demand to be larger then expected. See also STOCK RESERVE.

SALARY is scheduled wages and benefits an employee receives from an employer.

SALES ALLOWANCE is an offer of a lower price as an inducement to the buyer to accept delivery under special circumstances, e.g. when the merchandise delivered is not exactly what was ordered.

SALES AND COLLECTIONS BUDGET represents one of the first steps in the budgeting process, as items such as inventory levels and operating expenses are driven off of the Sales and Collections Budget. Effective sales budgeting is a key factor in building a useful and representative financial model for a business. Regardless of the nature of your business (for example, whether it is product or service-based).

SALES & MARKETING EXPENSE normally includes: salaries, commissions, and benefits to sales and marketing personnel, co-op advertising allowances to customers, advertising, warehouse costs, and shipping costs.

SALES BUDGET is the expected sales in units and dollars. See OPERATING BUDGET.

SALES CONTRACT see SALES ORDER.

SALES DISCOUNT is a reduction in the selling price usually as an inducement to consummate a sale. Sales Discount is on the income statement as a deduction from Gross Sales to get Net Sales.

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

SALES JOURNAL is a record containing a chronological listing of credit sales.

SALES LEDGER see LEDGER.

SALES MULTIPLE is the most widely used valuation benchmark used in the valuation of 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.

SALES ORDER, also known as SALES CONTRACT, is a contract by which buyer and seller agree to the terms and conditions of a sale.

SALES PROCEEDS are the sum of the service units (products, services) sold by a corporation within a particular period. The sales proceeds are calculated from the quantities sold (pcs, kg, hrs) multiplied by the sales price per unit within a particular period.

SALES / RECEIVABLES (Receivables Turnover) is a ratio that measures the number of times trade Receivables turn over during the year. Generally, the higher the turnover of receivables, the shorter the time between sale and cash collection. It indicates how fast the company is getting paid for goods and services. Receivables turnover is best compared to the industry in order to determine if the company should improve their collection rate. The faster the receivables turnover, the better cash flow will look. Slow or below par turnover can be an indication of systemic problems within the company. It is best to compare receivables turnover with that of industry averages.

SALES TAX is a tax levied by a government entity, usually state or city, on the retail price of an item and certain taxable services, collected by the retailer.

SALES TURNOVER see TURNOVER.

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.

S&P 500 see STANDARD AND POOR'S (S&P) 500.

SAP is an integrated enterprise resource planning (ERP) system that seamlessly integrates most activities of a company.

SARBANES-OXLEY ACT (SOX) contains sweeping reforms for issuers of publicly traded securities, auditors, corporate board members, and lawyers. It adopts tough new provisions intended to deter and punish corporate and accounting fraud and corruption, threatening severe penalties for wrongdoers, and protecting the interests of workers and shareholders. The Sarbanes-Oxley Act of 2002, was signed into law by US President George W. Bush and became effective on July 30, 2002.

SAVINGS ACCOUNTS are client accounts maintained by banks, savings & loan associations, credit unions, and mutual savings banks that pay interest but can not be used directly as money. These accounts let customers set aside a portion of their liquid assets that could be used to make purchases. But to make those purchases, savings account balances must be transferred to "transactions deposits" (or "checkable deposits") or currency. However, this transference is easy enough that savings accounts are often termed near money. Savings accounts, as such constitute a sizeable portion of the M2 monetary aggregate. With savings accounts you can make withdrawals, but you do not have the flexibility of using checks to do so. As with an MMDAs (money market deposit account), the number of withdrawals or transfers you can make on the account each month is usually limited.

SAVINGS DEPOSITS see SAVINGS ACCOUNTS.

SBIC is Small Business Investment Company.

SCHEDULE is an ordered list of times at which things are planned to occur, e.g., cash receipts schedule and amortization schedule.

SCIENTER THEORY is based on the word 'scienter', which is Latin for "having knowledge." In criminal law, the theory refers to knowledge by a defendant that his/her acts were illegal or his/her statements were lies and thus fraudulent. In securities, it is to knowingly transact a fraudulent securities deal.

S CORPORATION see SUBCHAPTER S.

SCRAP is material that is discarded as worthless or sold to be reused as parts; junk; a small unusable amount of something that is left over after the rest has been used or consumed.

SCRAP VALUE see SALVAGE VALUE.

SDCF is Sales & Distribution Cash Flow.

SEC is the Securities and Exchange Commission.

SECA is Self-Employment Contributions Act of 1954.

SECURED is an obligation backed by a pledge of collateral. Opposite of unsecured.

SECURED LIABILITY is a liability that has a degree of protection towards satisfaction if unpaid because the debtor has pledged personal/company assets towards satisfaction of that liability; e.g., a property mortgage is a secured liability because the mortgage holder has a guarantee through a lien on the property.

SECURITIES FRAUD, in most cases, is nothing more than stealing. Federal and state securities laws contain more technical definitions. But when investors are enticed into purchasing security instruments based on untrue data, statements or promises, it is securities fraud.

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.

SECURITY dependent upon usage is: a. a guarantee that an obligation will be met; b. defense against financial failure; financial independence; c. property that your creditor can claim in case you default on your obligation; or, d. a formal declaration that documents a fact of relevance to finance and investment; the holder of which has a right to receive interest or dividends, e.g. stocks and bonds.

SECURITY STOCK see SAFETY STOCK.

SEGMENTATION is the act of dividing or partitioning; separation by the creation of a boundary that divides or keeps apart, e.g. segmenting a market along the characteristics and needs of a particular consumer group.

SEGMENT REVENUE is revenue, including intersegment revenue, which is directly attributable or reasonably allocable to a segment. Includes interest and dividend income and related securities gains only if the segment is a financial segment (bank, insurance company, etc.).

SEGREGATED FUND is a pooled investment fund, much like a mutual fund, established by an insurance company and segregated from the general capital of the company. Its chief distinction from a mutual fund is its guarantee that, regardless of fund performance, at least a minimum

percentage of the investor's payments into the fund will be returned when the fund matures.

SELF-CONTRUCT ASSETS is the costs incurred to build it yourself.

SELLER GUARANTEE DEPOSIT is a good-faith deposit of funds that is made to demonstrate that the seller is confident enough in their technical skills and time management abilities to guarantee that they will complete the project 100% and on time. If the project is completed successfully, then the seller receives back the Seller Guarantee Deposit (minus the Seller Guarantee Deposit Processing Fee). If the project is not completed successfully, the seller forfeits the entire Seller Guarantee Deposit as liquidated damages for the breech.

SELL-IN ACCOUNTING records shipments to wholesalers as product sales whether or not they expand retail or wholesale stocking, i.e. revenue is recorded when a product enters the distribution stream while sell-through does not. See SELL-THROUGH ACCOUNTING.

SELLING & ADMINISTRATIVE EXPENSE BUDGET is a budget of planned expenditures for non-manufacturing activities, such as sales commissions and office salaries. See OPERATING BUDGET.

SELL-THROUGH, in retail sales, is the number of product distributed that are actually sold, e.g. movies sold as compared to rented.

SELL-THROUGH ACCOUNTING is where revenue is not recognized until after the product has been subsequently shipped from the wholesalers. See SELL-IN ACCOUNTING.

SEMIVARIALBLE COST is one that varies with changes in volume, but, unlike variable cost, does not vary in direct proportion. This component contains both fixed and variable elements, e.g., a rented vehicle may have a rental fee (fixed), but contain a mileage adder (variable).

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.

SENSEX is a Bombay Stock Exchange Index (BSE 30-Share Benchmark Sensex Index).

SENSITIVE ASSETS are those assets that can be affected by uncontrollable external factors. There are interest rate sensitive assets (assets yielding cash-flows at some fixed points in the future) and theft-sensitive assets (inventory for example).

SENSITIVE LIABILITIES normally refers to 'interest rate sensitive liabilities' (i.e., liabilities where there is a floating interest rate).

SENSITIVITY ANALYSIS is the analysis of how sensitive outcomes are to changes in the assumptions. The assumptions that deserve the most attention should depend largely on the dominant benefit and cost elements and the areas of greatest uncertainty of the program or process being analyzed.

SEPARABLE COSTS are all costs (manufacturing, marketing, distribution, etc.) incurred beyond the splitoff point that are assignable to one or more individual products.

SEPARATE DETERMINATION CONCEPT holds that each component of any category of assets or liabilities should be valued separately when arriving at a total to be shown in the accounts for that category. For example, the value of each stock item should be calculated individually (at the lower of cost and net realizable value) and these values should then be totaled to give the stock figure which will appear in the accounts. Stock should not be valued at the lower of total cost and total NRV.

SEPARATE VALUATION CONCEPT is a recording and measurement rule that relates to the determination of the aggregate amount of any item. In

order to determine the aggregate amount of an asset or a liability, each individual asset or liability that comprises the aggregate must be determined separately. This is important because material items may reflect different economic circumstances. There must be a review of each material item to comply with the appropriate accounting standards.

SERIAL BOND is a bond issue in which the bonds mature periodically over a number of years.

SERIES A PREFERRED STOCK is the first round of stock offered during the seed or early stage round by a portfolio company to the venture investor or fund. This stock is convertible into common stock in certain cases such as an IPO or the sale of the company. Later rounds of preferred stock in a private company are called Series B, Series C and so on.

SERIES B, C, D, ETC. PREFERRED STOCK see SERIES A PREFERRED STOCK.

SERVICE BUSINESS is a form of business providing different types of labor services in a wide variety of business sectors, e.g., lawn mowing, housecleaning and clothes cleaners are three types of consumer services offered to the general public.

SERVICE CHARGE is an additional charge for a service for which there is already a basic fee; also called service fee.

SERVICE CHARGE ACCOUNTING, in property management, is estate and property service charge accounting system that provides the mechanism for comprehensive service charge reconciliation reports for both the tenant and the property manager. Expenditure can be apportioned equally over the entire service charge period or can be allocated to a specific date range within the period. Full budget reporting and next period budget calculation routines are usually provided.

SERVICE CONTRACT is a contract offered by a retailer for maintaining and repairing a product beyond its manufacturer's warranty coverage.

SERVICE FEE see SERVICE CHARGE.

SERVICE INVOICE is an invoice associated with non-professional services, e.g. janitorial, consulting or architectural. See PROFESSIONAL INVOICE and PRODUCT INVOICE.

SERVICE LEVEL AGREEMENT (SLA) is performance objectives reached by consensus between the user and the provider of a service, or between an outsourcer and an organization. A service level agreement specifies a variety of performance standards that may or may not include "service level."

SETOFF is the discharge of a debt by setting against it a distinct claim in favor of the debtor.

SETTLEMENT DISCOUNT is the discount percentage offered for payment within the settlement period. Many vendors offer settlement discounts for early payment of invoiced amounts.

SETUP COST see FIXED CHARGE.

SEVERANCE TAX is levied on production of natural resources taken from land or water bottoms within the territorial boundaries of a state.

SFAS is Statement of Financial Accounting Standards or Statewide Fixed Assets System.

SG&A refers to the indirect overhead costs contained within the Sales, General and Administrative expense / cost categories.

SGD is an acronym for SIGNED.

SHARE is one unit of ownership interest in a company, mutual fund, limited partnership, etc.

SHARE APPLICATION MONEY is that money received by a company during an IPO. Payments received for a subscription of stock is normally received over the IPO life. For example: Widgets Limited has been registered with an authorized capital of $2,00,000 divided into 2,000 shares of $100 each of which, 1,000 shares were offered for public subscription at a premium of $5 per share, payable as:

on application $10
on allotment $25 (including premium)
on first call $40
on final call $30

For a total of $105/share

The amounts received would be carried as a current liability until such time as the stock is issued, then it would be considered as part of equity.

SHARE BUY-BACK is when a company makes an offer to buy back some of its own shares. There are several types of buy-backs. Three common types are: 1. an equal access scheme - when the company offers to buy back the same proportion of each shareholder's shares; 2. a selective buy-back - when the company offers to buy back shares from only one or some of its shareholders; or, 3. the company may buy the shares on the exchange where the shares are traded.

SHARE CAPITAL is that portion of a corporation's equity obtained from issuing shares in return for cash or other considerations.

SHAREHOLDER is an individual or company, (including corporations) that legally owns one or more shares of a company.

SHAREHOLDER LOANS include any loans between a corporation and any of its shareholders. Loans from shareholders are normally carried as long-term debt, but the reality is such loans should be counted as equity (they are not) because they rarely are paid back to the shareholder.

SHAREHOLDER OF RECORD is any individual or company that owns at least one share of stock of a corportion; such shares represented by a stock certificate or record of shares held by the owner's broker.

SHAREHOLDERS FUND is equity plus accumulated profits.

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 par value when issued.

SHARPE RATIO, named after William P. Sharpe, is a measurement of portfolio trading performance. It is calculated by subtracting risk free rate from total portfolio return, then dividing by the standard deviation of the portfolio:Sharpe ratio = Total portfolio return – Risk free rate / Portfolio standard deviation.

SHELF LIFE specifies the period of time which a product can be stored, under specified conditions, and remain in optimum condition and suitable for use or consumption.

SHIP IN PLACE is sales billed to customers prior to delivery and held by the seller (also: "bill and hold" or "bill in place" sales).

SHIPPING NOTICE is a formal notification that goods ordered are en-route to their destination.

SHORT-TERM usually encompasses a calendar of 12 months or less.

SHORT TERM ASSET is an asset expected to be converted into cash within the normal operating cycle (usually one year), e.g. accounts receivable and inventory.

SHORT TERM LIABILITY is a liability that will come due within one year or less.

SHRINKAGE is: 1. the amount by which something shrinks; 2. process or result of becoming less or smaller (Example: "The material lost 2 inches per yard in shrinkage"); or, 3. the act of stealing goods that are on display in a store (Example: "Shrinkage" is the retail trade's euphemism for shoplifting).

SI&A is Structure Inventory and Appraisal or Site Installation and Activation.

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.

SIDE POCKET INVESTMENTS enable a fund manager to invest in securities that are or become illiquid by allowing the fund manager to classify the securities as a "designated" or "special" investment i.e., held in a side pocket. Designated investments are valued separately from the general portfolio of the fund. Once designated, distinct valuation, allocation, withdrawal and distribution provisions are applied to such designated investments without affecting the general portfolio of the fund (and its applicable terms). Side pocket provisions typically permit a fund manager to designate any investment as a designated investment, creating a side pocket, if the fund manager determines it to be in the best interests of the fund and its investors. Generally, only investors that are investors at the time the side pocket is created are allocated a participating interest in such investments. Accordingly, investors that become investors after a side pocket is created will have no interest in such designated investment.

SIGHT DRAFT is a draft which is payable on demand.

SIGNATURE LOAN is a loan secured by the borrower with nothing more than the signature of that borrower.

SIGNIFICANCE is a meaning that is not expressly stated but can be inferred, e.g. the significance of an increase in product demand can only be known after the financial effects are calculated.

SIGNIFICANT DEFICIENCY, in finance, is an internal control shortcoming in a highly important control area or an aggregation of such deficiencies that could result in a misstatement of the financial statements that is more than inconsequential.

SILENT PARTNERSHIP is the relation of partnership sustained by a person who furnishes capital only, i.e., the partner is not involved in the day-to-day operations or decisions of the entity.

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.

SINGLE-ENTRY BOOKKEEPING is a simple bookkeeping system in which all transactions are recorded in a single record (e.g., a checkbook that indicates expenditures only). Single-entry does not rely upon equal debits and credits.

SIGN-OFF is approval or agreement, e.g. to sign-off on a purchase contract.

SINKING FUND is a sum set apart periodically from the income of a government or a business and allowed to accumulate in order ultimately to pay off a debt. A preferred investment for a sinking fund is the purchase of the government's or firm's bonds that are to be paid off. Usually the fund is administered by a trustee.

SIPS is an acronym for Secure Internet Payment Service (e.g., Cybercash).

SISTER COMPANY is similar to the way in which a family is structured, two or more sister companies (sibling) share the same Parent Company or individual owner. Like a Subsidiary, it is a separately incorporated business.

SKIP PERSON is a transfer of property to a person who is in a generation below a child of the transferor, referred to as a "skip" person, typically a grandchild or great grandchild.

SKU is an acronym for Stock Keeping Unit. It is usually used to identify an item carried in inventory or stock.

SLA see Service Level Agreement.

SLIDE ERROR is the incorrect placement of the decimal point, e.g. $2545.00 is recorded as $25.45.

SLIPPAGE is the difference between estimated transactions costs and actual transactions costs. The difference usually represents revisions to price difference or spread and commission costs.

SLIT is Serial-Lot Item Tracking.

SLR see STATUTORY LIQUIDITY RATIO and see below.

SLR is an acronym with several possible meanings, e.g., Stock Level Report, Stock Level Requirement, System Level Requirement(s), Statutory Liquidity Ratio.

SMA see SPECIAL MEMORANDUM ACCOUNT.

SMALL-CAP is a stock with a capitalization, meaning a total equity value, of less than $500 million.

SMOOTHING is a widely used technique in forecasting trends, seasonality and level change, e.g. averaging month-to-month fluctuations. Works well with data that has a lot of randomness.

SOCIAL CAPITAL is networks, together with shared norms, values and understandings which facilitate cooperation within or among those groups for mutual benefit.

SOCIAL COST is the cost to society as a whole from an event, action, or policy change. Includes negative externalities and does not count costs that are transfers to others, in contrast to private cost.

SOCIAL ENTITY is the separate existence of an organization that is perceived to exist, by its members and the public at large, as a 'given', i.e. something that exists before and outside of them.

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 ASSETS are human resources (people, skills and knowledge) and intangible assets (information, brands, and reputation). Soft assets are hard to value and are not usually reflected in the books of account, nor are they typically subjected to periodic inventory. See also HARD ASSETS.

SOFT CLOSE, in accounting, is when journal entries may be allowed to periods previously considered closed with the confidence that you can create corrected financial statements and that balances brought forward are corrected; in securities, is when a fund will no longer accept new investors into the fund, however existing shareholders can continue to contribute.

SOFT COSTS are those extraneous costs that are not readily foreseen or budgeted for, e.g. legal fees, loan fees and interest, etc.

SOFT CREDIT see ASSOCIATED CREDIT.

SOLD LEDGER see LEDGER.

SOLE PROPRIETOR is an individual who 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. See SOLE PROPRIERTORSHIP.

SOLE PROPRIERTORSHIP is a business structure in which an individual and his/her company are considered a single entity for tax and liability purposes. A sole proprietorship is a company which is not registered with the state as a limited liability company or corporation. The owner does not pay income tax separately for the company, but he/she reports business income or losses on his/her individual income tax return. The owner is inseparable from the sole proprietorship, so he/she is liable for any business debts; also called proprietorship. 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.

SOP is Statement of Position (within the AICPA or FASB) or Standard Operating Procedure.

SOUND, when used in a financial context, means financially secure and safe.

SOURCE DOCUMENTS are the primary documents used when forwarding an argument or making a presentation of fact. Usually used as a direct reference as a source of empirical data, expert opinion or information. See SUPPORTING DOCUMENTS.

SOX see SARBANES-OXLEY ACT.

SPE see SPECIAL-PURPOSE ENTITY.

SPECIAL DEPRECIATION are governmental tax incentive measures intended to help achieve a variety of policy objectives including support for certain regions or certain types of firms by offering tax incentives through depreciation bonuses.

SPECIAL JOURNAL contains records of original entry other than the general journal that are designed for recording specific types of transactions of similar nature, e.g. Sales Journal, Purchase Journal, Cash Receipts Journal, Cash Disbursements Journal, and Payroll Journal.

SPECIAL MEMORANDUM ACCOUNT (SMA) is a sub-account of a margin account for excess equity. It can be withdrawn or used to buy more securities.

SPECIAL-PURPOSE ENTITY (SPE) is a financing vehicle that is not a substantive operating entity, usually one created for a single specified purpose. An SPE may be in the form of a corporation, trust, or partnership. Special-purpose entities have been used for several decades for asset securitization, risk sharing, and to take advantage of tax statutes.

SPECIAL PURPOSE VEHICLE (SPV) is an organization constructed with a limited purpose or life. Frequently, these Special Purpose Vehicles serve as conduits or pass through organizations or corporations. In relation to securitisation, it means the entity which would hold the legal rights over the assets transferred by the originator.

SPECIFIC IDENTIFICATON INVENTORY VALUATION is a method of valuing and tracking inventory where each item can be identified. Specific identification is most often used for large, easily traceable items, such as furniture or vehicles. If tracking each individual inventory item is not practical, the inventory can be valued using other accepted methods, such as the first-in, first-out method (FIFO) or the last-in, first-out method (LIFO).

SPECIFIC IDENTIFICATION METHOD is an inventory costing method under which the actual cost of a particular item is assigned to that item; used for determining cost of goods sold.

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.

SPENDING LEVEL is the true expenditure or cash outlay of any entity in a given category or budgetary area.

SPIN-OFF is a type of corporate reorganization in which the original corporation transfers some of its assets to a newly formed corporation. In exchange for the spun off assets, the original corporation receives all of the new corporation's capital stock, which it then distributes to its shareholders as a property dividend.

SPIN-OFF RULING is a legally binding ruling by the Internal Revenue Service as to any aspect of a spin-off by a corporation. See also SPINOFF.

SPLIT ACCOUNTING, under IAS 39, provides that if certain conditions are met the 'embedded derivative' in a 'hybrid (combined) financial instrument' (i.e, a financial instrument which includes a non-derivative 'host contract' as well as an embedded derivative) must be accounted for separately from the 'host contract'.

SPLIT-INTEREST AGREEMENT, in not-for-profits, is a contribution to the institution in which the institution must share the investment income/benefits with the donor and other beneficiaries if designated.

SPLIT-OFF POINT is the stage in the production process at which joint products become identified as distinct products which can be sold or processed further; this is called the split-off point.

SPLIT PAYMENT allows the customer to: a. pay part of the bill with cash and part with a credit card; or, b. apply portions of payments across several invoices.

SPOILAGE is materials wasted or spoiled in the production process. See also ABNORMAL SPOILAGE and NORMAL SPOILAGE.

SPONTANEOUS ASSETS are assets that arise automatically, in the course of operating a company day-to-day, when a company purchases assets and they are delivered.

SPONTANEOUS LIABILITIES are obligations that are realized automatically, in the course of operating a company day-to-day, when a company buys goods and services on credit.

SPOT-CASH is the immediate cash payment on a transaction.

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.

SPOT RATE is the price at which a currency can be purchased or sold and then delivered within two business days, e.g., spot dollar.

SPREAD see ASK PRICE.

SPREADSHEET is (1) A multi-column 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.

SPV see Special Purpose Vehicle.

SR see STOCK RESERVE.

SRO is Self-Regulatory Organization.

SS see SAFETY STOCK.

SSA is Social Security Administration, Selective Service Administration or Social Security Act.

STABLE DOLLAR ASSUMPTION is when using money as a measuring unit and preparing financial statements expressed in dollars, accountants make the assumption that the dollar is a stable unit of measurement.

STABLE MONETARY UNIT CONCEPT allows accountants to ignore the effect of inflation in the accounting records.

STABLE UNIT OF MEASURE, in accounting, assumes that money is used as the basic measuring unit for financial reporting. Money is the common denominator in which accounting measurements are made and summarized. The dollar, or any other monetary unit, represents a unit of value; that is, it reflects an ability to command goods and services. Implicit in the use of money as a measuring unit is the assumption that the dollar is a stable unit of value, just as the kilometer is a stable unit of distance and the hectare is a stable unit of area.

STABLE UNIT OF VALUE see STABLE UNIT OF MEASURE.

STABILIZED INCOME is the projected planned revenue that is subject to change but represents the best annualized estimate of consistent income.

STAFF ACCOUNTANT, on average, is a professional who is a CPA in good standing or CPA candidate with one to three years of professional experience. The staff accountant is supervised in the field by senior personnel and performs tasks such as tests of transactions and preparation of work papers.

STAFF MANAGEMENT is the function of managing all employees in the organization, including the development of staff skills through training and other forms of staff development as well as the identification, development and implementation of training needs and programs available for staff. Employees include permanent, temporary, and part-time employees, people working under scholarships, traineeships, apprenticeships and similar relationships.

STAKE is a share or an interest in an enterprise, especially a financial share.

STALE CHECK is a check that is six months or older than the date affixed to the check by the maker. If a customer's check is presented more than six months after the date appearing on the check, the paying bank has the option of paying or dishonoring the check because the check is deemed "stale".

STANDARD AND POOR'S (S&P) 500 is an index of the 500 largest, most actively traded stocks on the New York Stock Exchange. It provides a guide to the overall health of the US stock market.

STANDARD COST is production or operating cost that is carefully predetermined. A standard cost is a target cost that *should be attained*. The standard cost is compared with the actual cost in order to measure the performance of a given costing department or operation. See STANDARD COST SYSTEM.

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 DEDUCTIONS is used to reduce income by taxpayers who do not itemize allowable deductions on their tax returns. The amount of the deduction depends on your filing status: if you are 65 or older, if you are blind and whether you can be claimed as a dependent on another taxpayer's income tax return. See ITEMIZED DEDUCTIONS.

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.

STAND-ALONE is where the subject is capable of operating or is intended to be viewed independently. For example, a. a pc can be connected to a

network, but it also has a "stand-alone" capability where the user can work locally on his/her pc without interacting with the network; or, b. a sales forecast for multiple product models or categories is a "blended" forecast, but if you were to break the forecast out by individual models or category, you would have a "stand-alone" forecast for each.

STANDBY LETTER OF CREDIT is a guarantee of payment. If the beneficiary does not get paid from its customer it can then demand payment from the customer's Bank by forwarding the copy of the invoice that was not paid along with predetermined supporting documentation.

STARTUP COSTS or Organization Cost, in the U.S., is when a new corporation is created, the costs associated with the formation are not deductible. An election must be made to amortize organizational costs no later than the due date (including extensions) of the return for tax year in which the active trade or business begins. If an election is not made to amortize these costs, they must be capitalized on the books and are not subject to amortization resulting in permanent capitalization. Upon making the timely election, the corporation may recover these costs through amortization deductions over a 60 month period. Organizational expenditures include any expenditure which is:• incident to the creation of the corporation,• chargeable to capital account, and • is of a character which, if expended incident to the creation of a corporation having a limited life, would be amortizable over such life.The following are examples of organization costs:• legal services incident to the organization of the corporation, such as drafting the corporate charter, by-laws, minutes of organizational meetings, terms of original stock certificates, etc.• necessary accounting services.• expenses of temporary directors and of organizational meetings of directors or stockholders.• fees paid to state of incorporation.

STAT is an abbreviation of "statistical", e.g. stat software package.

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

STATED VALUE is the per share value sometimes assigned to no-par stock by the corporation.

STATEMENT OF ACCOUNTING POLICIES is normally comprised of: a definition of the reporting organization, statement of general accounting policies, statement of particular accounting policies, and a statement of changes in accounting policies.

STATEMENT OF AFFAIRS is a specialized form of financial statement setting out the debtor's assets and liabilities - secured, preferred and unsecured. This document is usually prepared on short notice and from incomplete records. It is sworn to by an officer of the company and or by the bankrupt where applicable. The trustee often has a different opinion as to the value of the assets and the extent of liabilities included therein. The formalized statement of affairs is sworn under oath by the debtor before a lawyer or designated legal/court entity.

STATEMENT OF CASH FLOWS measures the flow of money in and out of a business. One of four financial statements found in the annual report, it categorizes a company's cash receipts and disbursements for a given fiscal year by three major activities: operations, investments and financing.

STATEMENT OF FUND BALANCE is part of the Financial Statements of certain regulated entities, e.g. local, county, and state, governments. The content or configuration of the Consolidated Financial Statements normally includes a Consolidated Statement of Fund Balance along with separate Statements of Fund Balance for all authorized funds within the jurisdiction, e.g. General Operating Fund and Airport Operating Fund.

STATEMENT OF RETAINED EARNINGS is one of the four basic financial statements; the Statement of Retained Earnings is a reconciliation of the Retained Earnings account. Information such as dividends or announced income is provided in the statement. The Statement of Retained Earnings

provides information about what a company's management is doing with the company's earnings.

STATEMENT OF STOCKHOLDERS' EQUITY is a summary of the changes in stockholders' equity of a corporation that have occurred during a specific period of time.

STATE UNEMPLOYMENT TAX ACT (SUTA), in the U.S., is the same as FUTA except from an individual U.S. state in compliance to federal guidelines. See also FEDERAL UNEMPLOYMENT TAX ACT.

STATUTE is an act passed by a legislative body, e.g. U.S. Congress.

STATUTORY is relating to or created by statutes.

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 AUDITOR is normally part of the internal audit function operating in one or more of the following areas: a. Review of the Accounting Systems and the related internal controls. Thus while the adequacy of the accounting systems is the responsibility of the Management, the Statutory Auditor is usually assigned the specific responsibility for reviewing the accounting systems and the related internal controls, as also monitoring their operations; b. Review of financial and operating information including identification, measurement, classification and reporting such information specifically enquiring into individual items including detailed testing of transactions, procedures and balances; and, c. Examination of the economy, efficiency and effectiveness of operations including non-financial controls.

STATUTORY CONSOLIDATION is a merger where a new corporate entity is created from the two merging entities, the two merging entities then cease to exist. See also STATUTORY MERGER.

STATUTORY DEDUCTIONS are those deductions that are required by law or regulation, e.g. payroll taxes deducted from wages.

STATUTORY LAW is law enacted by the legislative branch of government, as distinguished from case law or common law.

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.

STATUTORY LIQUIDITY RATIO (SLR) is a ratio which every banking company shall maintain in the form of cash, gold or unencumbered approved securities, an amount which shall not, at the close of business on any day be less than such percentage of the total of its demand and time liabilities as the Reserve Bank may specify from time to time.

STATUTORY MERGER is a merger where one entity remains as a legal entity, instead of a new legal entity being formed. See also STATUTORY CONSOLIDATION.

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.

STEPPED COSTS is a cost that increases by a reasonably constant sum each time volume or activity increases by a predictable, constant, multiple. The smallest step costs are variable costs, which increase by a discrete amount each time output or activity increases by one unit. Larger steps will consist of what are, effectively, fixed costs over a particular range of output. Some

costs increase, or decrease, in significant steps when output or activity passes certain limits. For instance, if a bus company regularly has more passengers on a route than can be carried by a single vehicle it may be necessary to use an additional bus. Running an additional bus will double the cost of operating on that route. Similarly, a manufacturing firm may have a policy of employing one supervisor for every ten production workers. In which case the firm will need one supervisor for 1–10 employees, two supervisors for 11–20 employees, and so on. So, if demand rises to the point where 21 production employees are required an extra supervisor must be employed. Costs that behave in this way are called stepped costs.

STEP-UP LOAN is a type of home loan that offers varying equated monthly installments (EMIs) spread over the loan's tenure, i.e. the EMI is lower in the initial years, but over time the EMI increases. One of the primary advantages of a step-up loan as compared to a normal home loan is that it increases the loan eligibility of the individual. Since this loan takes into account the future earning potential of the prospective borrower, it factors in the imminent hike in the earnings going forward and adjusts the loan eligibility amount accordingly. Step-up loans are also generally available only to salaried individuals and professionals. In other words, businessmen cannot take advantage of this type of loan. This is because the general feeling among lenders is that salaries have a tendency to rise year on year. This is not always the case with businesses, which may be doing well at a given point in time but are generally conceived to be unpredictable in nature. The determinant on whether step-up loans are better or a normal home loan depends on individual requirements. There are various products designed to meet the varying requirements of individuals. However, the truth with a step-up is that it increases the net cash outflow for the borrower. In this way, the risk to the borrower on being able to satisfy future payments due to cash flow considerations could be potentially high.

STEWARDSHIP is responsibility for taking good care of resources entrusted to one, e.g., boards of directors must show good stewardship towards the company for which they are a board member.

STOCK is a. a certificate documenting the shareholder's ownership in a corporation; or, b. the merchandise that an entity has on hand or in inventory.

STOCK CERTIFICATE is a certificate establishing ownership of a stated number of shares in a corporation's stock.

STOCK CONTROL ACCOUNT reflects the total amount or value of all stock items. The balance of each of the individual stock item ledger accounts or records must equal the total of the stock item list, which represents the amounts or value of the individual stock items obtained from the individual balances in the various subsidiary ledger accounts for each stock item. This subsidiary ledger is known as the stock item ledger.

STOCK DIVIDEND is a dividend paid in stock rather than in cash. The additional shares can be in the form of a stock split, additional shares of the issuing company, or of a subsidiary.

STOCKHOLDER see SHAREHOLDER.

STOCKHOLDER'S EQUITY see SHAREHOLDER'S EQUITY.

STOCK INDEX a formalized screened listing of traded securities, e.g. the Dow Jones Industrial Average that tracks a portfolio of stocks.

STOCK OPTION is a contractual right granted by a company to the named holder of the option the right to purchase the company's stock at a fixed price stated on the stock option within a specified period of time. If the stock option is not exercised within the specified period of time, then the contractual right lapses.

STOCK POWER is a form that permits a Donor to provide the authority to change the name on a stock certificate from the Donor's name to the name of another party, such as a charitable organization, without using a "transfer agent". This form, together with the designated stock certificate and Letter of Authorization, given to the charitable organization will expedite the transfer of the Donor's stock certificate by the charitable organization's brokerage to expedite the sale and receipt of proceeds from the gift of securities.

STOCK RESERVE (SR) or buffer stock is a stock quantity which is based on the normal average expected consumption during the lead-time to replenish depleted stock. See also SAFETY STOCK.

STOCK ROTATION RIGHTS is a contractual stipulation that allows for a distributor to return up to a stipulated percentage of purchased goods to the supplier over a stipulated period of time. These rights are intended to ensure that a distributor is not overburdened with excessive or obsolete inventory from the supplier that granted the stock rotation rights.

STOCK SALE is where the equity price is assumed to include the operating assets and operating liabilities of the seller's business and not include the long term liabilities assumed. The long term liabilities assumed are shown as a separate line item and when added to the equity price results in the deal price. In those transactions indicated as an asset sale the equity price is assumed to include the operating assets.

STOCK SPLIT is the issuance of a substantial amount of additional shares, thereby reducing the par value of the stock on a proportionate basis.

STOCKTAKING is the process of counting and evaluating stock-in-trade, usually at an organization's year end in order to value the total stock for preparation of the accounts. In more sophisticated organizations, in which permanent stock records are maintained, stock is counted on a random basis throughout the year to compare quantities counted with the quantities that appear in the, usually, computerized records.

STOCK TURNOVER PERIOD is calculated: Long Term Disabilities X 100% / Cost of Sales.

STOCK TURNS is the number of times per year that the stock (raw material, wip & finished goods) is turned over in relation to the sales revenue of a given product. Calculation - Stock turns = Sales turnover of products / Value of raw material, wip & finished goods.

STORAGE can be: a. a depository for goods, e.g. a stockroom or warehouse; b. the process of storing information in a computer memory or on a magnetic tape or disk; or c. an electronic memory device.

STORES are provisions and supplies in inventory that are required for running an entity.

STRAIGHT BOND is the most common debt security. All other bond types are variations of, or additions to standard straight bond features. An investor pays a single capital sum to receive interest payments, called coupons, until a fixed maturity date when the last coupon is accompanied by redemption of the bond's face value. The coupon is simply a fixed rate of interest - paid annually or semi-annually - on the principal sum or face/par value. The debt is of fixed maturity - the principal redemption date. The maximum term is 30 years, but 7-10 years is most common.

STRAIGHT-LINE DEPRECIATION METHOD allows an equal amount to be charged as depreciation for each year of the expected use of the asset. It is computed by dividing the adjusted basis of a property by the estimated number of years of remaining useful life.

STRAIGHT-LINE METHOD see STRAIGHT-LINE DEPRECIATION METHOD.

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

STRATEGIC ASSET, in relation to the assets held by a legal entity, means an asset or group of assets that the entity needs to retain if the entity is to maintain the entity's capacity to achieve or promote any outcome that the entity determines to be important to the current or future well-being of the entity.

STRATEGIC GOAL is the milestone the organization aims to achieve that evolves from the strategic issues. They transform strategic issues into specific performance targets that impact the entire organization. They can be qualitative or quantitative. Dependent upon usage, GOALS are general in nature, while OBJECTIVES are specific, measurable and time-based. In some organizations, the meanings for GOAL and OBJECTIVE are reversed. See GOAL.

STRATEGIC PERFORMANCE MANAGEMENT provides a detailed blueprint for turning corporate vision into reality - breaking down the things an entity needs to achieve as a business into real actions that can be measured. See BALANCED SCORECARD.

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.

STRONG, from a corporate perspective, usually means having or wielding force or authority within that entity's market segment or niche.

STUMPAGE refers to: a. Timber in standing trees; usually sold without the land at a fixed price per tree or per stump, the stumps being counted when the land is cleared. (NOTE: Only trees above a certain size are allowed to be

cut by loggers buying stumpage from the owners of land); or, b. A tax on the amount of timber cut, regulated by the price of lumber.

SUBSTANTIVE is reality, real rather than apparent, as seen by an unbiased observer and not just the official view of management.

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.

SUBLEDGER is for the purpose of organizing revenue and expense transaction for only one account, e.g., For an individual salesperson, like a general ledger, the subledger has different default account types, each from a salesperson's perspective, not a company perspective. Thus, Due is due to the salesperson and Payable is payable by the salesperson.

SUBORDINATED DEBT is debt over which senior debt takes priority. In the event of bankruptcy, subordinated debt holders receive payment only after senior debt claims are paid in full. 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.

SUBPART F of the Internal Revenue Code requires certain income (called subpart F income) of a controlled foreign corporation to be currently included in the gross income of its U.S. shareholder, whether or not this income actually is distributed to the U.S. shareholder.

SUB-PRIME CREDIT CARDS are credit cards offered to consumers with credit problems or no established credit; as opposed to prime cards for those with good credit ratings. Sub-prime cards do not offer as many benefits and possibly could be more costly.

SUBSCRIBER, in securities, is an entity that contributes (or promises to contribute) a sum of money to purchase securities. The term Subscriber encompasses all Non-Professional and Professional Subscribers. See NON-PROFESSIONAL SUBSCRIBER and PROFESSIONAL SUBSCRIBER.

SUBSCRIPTION, in securities, is an agreement to buy a new issue of securities.

SUBSIDIARY is a company whose voting stock is more that 50% owned by another company.

SUBSIDIARY BOOKS see SUBSIDIARY LEDGER.

SUBSIDIARY LEDGER is a group of subsidiary accounts the sum of the balances of which is equal to the balance of the related control account in the general ledger.

SUBSTANCE OVER FORM is an accounting concept where the entity is accounting for items according to their substance and economic reality and not merely their legal form. This concept is one of the key determinants of reliable information. For most transactions there will be no difference, so no issue arises. In some cases however, the two diverge and the choice of how to present the transactions can give very different results. This difference occurs when an asset or liability is not recognized in the accounts even though benefits or obligations may result from the transaction, or oppositely.

SUBVENTION is the provision of assistance or financial support such as an endowment or a subsidy from a government or foundation.

SUI is either State Unemployment Insurance (tax) or State Unemployment Income.

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.

SUNDRY ACCOUNT is an account where miscellaneous items are recorded, e.g., SUNDRY RECEIVABLES represent miscellaneous receivables.

SUNDRY CREDITORS refers to companies or individuals to which money is owed.

SUNDRY DEBTOR is an entity from who amounts are due for goods sold or services rendered or in respect of contractual obligations. Also termed: debtor, trade debtor, and account receivable.

SUNDRY SHAREHOLDERS are a group of miscellaneous shareholders.

SUNK COST is the cost expended that cannot be retrieved on a product or service.

SUPERANNUATION is a. the act of discharging someone because of age (especially to cause someone to retire from service on a pension); or, b. a monthly payment made to someone who is retired from work.

SUPERANNUATION FUND see PENSION FUND.

SUPPLANT is to take the place of or move into the position of, e.g. the computer supplanted the slide rule.

SUPPLIER FINANCING is where the trade assists in meeting credit needs of a customer, e.g. a trade credit line may be negotiated to where a supplier may give 90 to 120 days to pay for the goods plus an interest charge.

SUPPORTING DOCUMENTS assist in making a case (prove a point or forward an argument) by providing additional depth and analysis for much of the case in question. See SOURCE DOCUMENTS.

SUPPRESSED INFLATION means that a situation exists in which prices would rise -- if government regulations did not establish artificial limits on prices, wages, etc.

SUPRANATIONAL is transcending established national boundaries or spheres of interest (Example: A supranational company).

SURCHARGE is a charge added on top of another charge for a specific service, product or purpose.

SURETY BOND is a contract by which one party agrees to make payment on any default or the debt of another party.

SURPLUS generally means any excess amount, but in finance it is the remainder of a fund appropriated for a particular purpose. In a corporation, surplus means assets left after liabilities and debt, including capital stock, have been subtracted.

SURVEILLANCE is close watch kept over someone or something.

SUSPENSE ACCOUNT, in accounting, is an account that is used on a temporary basis for receipts, disbursements, or discrepancies until such time as the analysis is complete and they can be properly classified.

SUSTAINABLE GROWTH RATE (SGR) shows how fast a company can grow using internally generated assets without issuing additional debt or equity. SGR provides a useful benchmark for judging a company's appropriate rate of growth. A company with a low sustainable growth rate but lots of opportunities for expansion will have to fund that growth via outside sources, which could lower profits and perhaps strain the company's finances. Growth can be a major dilemma because with growth comes a spontaneously generated need for increased working capital. VentureLine 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.

SUTA see STATE UNEMPLOYMENT TAX ACT.

SWAPS is when one currency is temporarily exchanged for another, then the currency is held and exchanged later after a fixed period of time. To calculate the swap take the interest rate differential between the two underlying currencies, thus it may be used for speculative purposes to exploit anticipated movement in the interest rates. See INTEREST RATE SWAPS.

SWAPTIONS are over-the-counter options on swaps.

SWOT ANALYSIS is one of the most used forms of business analysis. A SWOT examines and assesses the impacts of internal strengths and weaknesses, and external opportunities and threats, on the success of the "subject" of analysis. An important part of a SWOT analysis involves listing and evaluating the firm's strengths, weaknesses, opportunities, and threats. Each of these elements is described:

1. Strengths: Strengths are those factors that make an organization more competitive than its marketplace peers. Strengths are what the company has a distinctive advantage at doing or what resources it has that is strategic to the competition. Strengths are, in effect, resources, capabilities and core competencies that the organization holds that can be used effectively to achieve its performance objectives.

2. Weaknesses: A weakness is a limitation, fault, or defect within the organization that will keep it from achieving its objectives; it is what an organization does poorly or where it has inferior capabilities or resources as compared to the competition.

3. Opportunities: Opportunities include any favorable current prospective situation in the organization's environment, such as a trend, market, change

or overlooked need that supports the demand for a product or service and permits the organization to enhance its competitive position.

4. Threats: A threat includes any unfavorable situation, trend or impending change in an organization's environment that is currently or potentially damaging or threatening to its ability to compete. It may be a barrier, constraint, or anything that might inflict problems, damages, harm or injury to the organization.

A firm's strengths and weaknesses (i.e., its internal environment) are made up of factors over which it has greater relative control. These factors include the firm's resources; culture; systems; staffing practices; and the personal values of the firm's managers. Meanwhile, an organization's opportunities and threats (i.e., its external environment) are made up of those factors over which the organization has lesser relative control. These factors include, among others, overall demand, the degree of market saturation, government policies, economic condition, social, cultural, and ethical developments; technological developments; ecological developments, and the factors making up Porter's Five Forces (i.e., intensity of rivalry, threat of new entrants, threat of substitute products, bargaining power of buyers, and bargaining power of suppliers.)

SWEEPING ACCOUNTS is when an entity zeros out a monetary asset account (takes the money) that does not meet an established mandatory monetary hurdle at which they will make a payment to the holder of that account, e.g., if a salesman does not make a certain amount of sales required over a time period, his company will not pay him commission on the sales that were made during that period and sweep his account balance to zero at the end of the time period.

SWIFT CODE, within the context of international payment transactions, is a code issued by the Society for Worldwide Interbank Financial Telecommunication (SWIFT) that enables banks worldwide to be identified

without the need to specify an address or bank number. SWIFT codes are used mainly for automatic payment transactions.

SYNDICATE is a group of investment bankers or banks that acts jointly, on a temporary basis, to, in the case of investment bankers, sell securities or to underwrite a new issue of bonds (syndicated capital), or, for the bank syndicate to loan money in a bank credit (syndicated credit).

SYNERGY is the working together of two or more things to produce an effect greater than the sum of their individual effects. For example, in the context of mergers, cost synergy is the savings in operating costs expected after two companies, who compliment each other's strengths, join.

SYNTHETIC LEASE is a transaction that appears, from an accounting standpoint, as a lease, but as a loan from a tax standpoint; resulting in an off-balance sheet account of the financing and the tax benefits that accompany the financed asset.

T-ACCOUNT is the basis for journal entry in accounting. T-accounts have three basic elements. A title, a left side (debit side) and a right side (credit side). To make an entry in a t-account, put the currency (dollar, pound, etc.) amount on the appropriate side (debit or credit). There are five basic types of accounts: assets, liabilities, equity, revenue and expenses. Assets, liabilities and equity are the balance sheet accounts.

TAFR is Treasurer's Annual Financial Report.

TAINTED ACCOUNTS RECEIVABLE is receivables that are considered to be legally suspect due to acts of fraud, misuse, or abuse.

TAG-ALONG is to go along with.

TAG-ALONG RIGHTS is a contractual obligation used to protect a minority shareholder (usually in a venture capital deal). Basically, if a majority shareholder sells their stake, then the minority shareholder has the right to

join the transaction and sell their minority stake in the company. Also referred to as co-sale rights.

TAKEOVER refers to one company (the acquirer) purchasing another (the target). Such events resemble mergers, but without the formation of a new company.

TAKE OR PAY AGREEMENT is where a buyer must pay for the contracted amount of the contracted item(s) delivered whether or not he/she can take delivery.

TALLY SHEET is a form for counting, i.e. a form on which quantities are recorded, especially when conditions make counting errors likely.

T&E is an acronym for Travel & Entertainment.

T&M is Time and Materials.

T&R, among others, can mean: Technical & Research or Termination & Recoupment.

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).

TANGO SHEETS is a not often used slang term refering to a document that compares forecasted financial data to actual financial performance for the purposes of illegally adjusting the reported financial data to more closely match the prior forecasted performance.

TARE WEIGHT is the weight of packing container and packaging material without the weight of the goods contained therein.

TARGET is the goal intended to be attained and which is believed to be attainable, e.g. sales target, margin target, or profit target.

TARGET COSTING is a disciplined process for determining and realizing a total cost at which a proposed product with specified functionality must be produced to generate the desired profitability at its anticipated selling price in the future.

TARGET MARGIN is the desired profit on each sale; used to determine the selling price where the average total cost is known.

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 is a charge against a legal entity's person or property or activity for the support of government, e.g. income taxes, sales taxes, duties and levies.

TAXABLE refers to goods or funds subject to taxation.

TAXABLE BENEFITS are employer provided "non-cash" taxable compensation or fringe benefits, such as employer-provided vehicles, complementary tickets, and graduate level educational assistance, are subject to federal income, state income, social security, and Medicare tax rules. According to Internal Revenue Code Section 1.61-1, all compensation paid to, or on behalf of, an employee constitutes wages subject to income and employment tax withholding, unless specifically excluded by IRS code.

TAXABLE INCOME is that income that is reported to the government for the purposes of calculating income taxes. Taxable income normally is not aligned

with the financial income reported within financial statements. See FINANCIAL INCOME.

TAX ACCOUNTING is the planning of business strategies based on tax consequences and avoidance.

TAX EFFECT METHOD is where, irrespective of when is a tax payable, its effect should be recognized in the year in which the relevant income has been recorded.

TAX EQUIVALENT YIELD is the yield that must be offered before factoring in taxes so that an investment pays off a certain after-tax yield. This measure is often necessary to compare taxable and tax-free investments, since tax-free issues tend to have lower pre-tax yields due to the fact that the investment's proceeds will not be reduced by taxes. Tax equivalent yield is equal to required after-tax yield divided by (1 minus the tax rate).

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.

TAX PAYABLE METHOD is where the tax expense is equal to the provision for taxes payable in a particular period and deferred income tax is not recognized.

TAX SHELTER are legal methods taxpayers can use to reduce tax liabilities. An example is the use of depreciation of assets.

T-BILL see TREASURY BILL.

TCO see TOTAL COST OF OWNERSHIP.

TECHNICALLY BANKRUPT means that the company has, at least temporarily, run out of cash to pay its bills and is, at the moment, bankrupt. However, it may recover by raising capital, collecting monies owed to it, or selling off various assets. When a company does not do this on its own, its creditors may, through the courts, put a company officially or legally into bankruptcy.

TEMPORARY ACCOUNT see NOMINAL ACCOUNT.

TENDER is to offer a product for sale at a specified price. A tender is issued usually in response to a specific request from a potential purchaser, e.g. government procurement.

TERM BONDS are bonds whose principal is payable at maturity. Sometimes referred to as bullet-maturity bonds or bullet bonds.

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 ENDOWMENT are endowments with time restrictions required by the donor such as a restriction that the income from the endowment may not be utilized until a future period or a specific date for condition is met.

TERMINAL VALUE, when used in a discounted cash flow valuation, the cash flow is projected for each year into the future for a certain number of years, after which unique annual cash flows cannot be forecasted with reasonable accuracy. At that point, rather than attempting to forecast the varying cash flow for each individual year, one uses a single value representing the discounted value of all subsequent cash flows. This single value is referred to as the terminal value.When a firm's cash flows grow at a "constant" rate forever, the present value of those cash flows can be written as: Value = Expected Cash Flow Next Period / (r - g)where, r = Discount rate (Cost of Equity or Cost of Capital) g = Expected growth rate. This "constant" growth rate is called a stable growth rate and cannot be higher than the growth rate of the economy in which the firm operates. While companies can maintain high growth rates for extended periods, they will all approach "stable growth" at some point in time. When they do approach stable growth, the valuation formula above can be used to estimate the "terminal value" of all cash flows beyond.

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.

THEFT, as legally defined, encompasses a broad range of activities when one person uses, transfers, conceals, or retains possession of another person's property without the other person's consent. This definition is much broader than what most persons believe to be theft and can include writing bad checks, unauthorized use of a credit card, keeping found property without making a reasonable attempt to find its rightful owner, misusing trade secrets, unlawfully tapping into cable television services, wrongfully receiving public assistance, and removing serial numbers from movable property with the intent of concealing the identity of the true owner.

THEORETICAL USAGE, in a manufacturing environment, is the projected or budgeted usage of parts, materials or supplies as opposed to the actual usage that may occur.

THEORY OF CONSTRAINTS is a management approach that focuses on identifying and relaxing the constraints that limit an organization's ability to reach a higher level of goal attainment.

THIRD PARTY is someone other than the principals directly involved in a transaction or agreement.

THIRD PARTY RECOVERY normally refers to delinquent accounts receivable recovered by a collection agency for a fee.

THREE PERCENT (3%) RULE is a rule used in vesting pension plan benefits. The participant's accrued benefit must be at least equal to 3% of the participant's normal projected retirement benefit for each year of participation, with a maximum of 100% after 33 1/3 years of participation.

TI icould mean, among others, Total Income or Tenant Improvements.

TIC is Total Invested Capital.

TIC/EBIT is one of the earnings multiples ratios used in determining company value.

TILL ROLL is a roll of paper on which the separate amounts of money paid for goods are recorded in a retail shop's cash register.

TIME DEPOSIT is a bank deposit that can be withdrawn only after a set period of time or with prior notice, e.g. a certificate of deposit (CD).

TIME DRAFT is a draft that matures either a certain number of days after acceptance or a certain number of days after the date of the draft. See SITE DRAFT.

TIME INTERVAL CONCEPT, in accounting, requires that financial statements be prepared at regular intervals, e.g. monthly, quarterly, annually.

TIME LAG see LAG TIME.

TIME PERIOD CONCEPT provides that accounting take place over specific time periods known as fiscal periods. These fiscal periods are of equal length, and are used when measuring the financial progress of a business.

TIME SERIES is an ordered sequence of values of a variable at equally spaced time intervals.

TIME SERIES ANALYSIS is the branch of quantitative forecasting in which data for one variable are examined for patterns of trend, seasonality, and cycle.

TIMES FIXED CHARGES EARNED see COVERAGE OF FIXED CHARGES.

TIMES INTEREST EARNED (TIE) measures the extent to which operating income can decline before the firm is unable to meet its annual interest

costs. The TIE ratio is used by bankers to assess a firm's ability to pay their liabilities. TIE determines how many times during the year the company has earned the annual interest costs associated with servicing its debt. Normally, a banker will be looking for a TIE ratio to be 2.0 or greater, showing that a business is earning the interest charges two or more times each year. A value of 1.0 or less suggests that the firm is not earning sufficient amounts to cover interest charges.

TIME TO MARKET (TTM) is the length of time it takes to develop a new product from an early initial idea for a new product to initial market sales. Precise definitions of the start and end point vary from one company to another, and may vary from one project to another within the company.

TIME VALUE OF MONEY is the idea that a dollar today is worth more than a dollar in the future, because the dollar received today can earn interest up until the time the future dollar is received.

T-NOTE see TREASURY NOTE.

TOBIN RATIO see MARKET TO BOOK VALUE.

TO DATE is prior to the current date.

TOMBSTONE is a newspaper advertisement that contains the details of a bond issue or major loan, and the investment banks that have underwritten it.

TOP DOWN is a concept of analyzing a subject, such as costs or revenue, starting from the highest level working towards the bottom.

TOP-DOWN BUDGETING is where budgets are created by starting from the highest level working towards the bottom using parametric relationships. A monetary value is placed on an individual unit (product, service, materials, and labor hour). An estimate of the number of units required is then converted to currency by multiplying the quantity of units by the unit price.

TOPSIDE ACCOUNTING ADJUSTMENTS/DEVICES is an illegal practice to where accountants manipulate its accounting practices to close gaps between

actual operating results and results reported to the investing public. Accountants then falsely represent to the public that their audits were conducted in accordance with generally accepted auditing standards (GAAS) and that an entity's financial reports fairly represent the entity's financial condition and were prepared in accordance with generally accepted accounting principles (GAAP).

TOP-LINE of a company is its gross sales, or revenue figure.

TOR; among many others; can mean Time of Receipt, Terms Of Reference, Time of Report, etc.

TOTAL ASSETS is the total of all assets; both current and fixed.

TOTAL ASSET TURNOVER measures management's efficiency in managing all of a firm's 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 manufactures and telecommunications companies. Generally, the higher this ratio as compared to like companies or the industry:

- the smaller the investment required to generate sales, thus the more profitable the firm.
- indicates the firm has less money tied up in fixed assets for each dollar of sales revenue.

TOTAL COST OF OWNERSHIP (TCO) is a model developed by Gartner Group to analyze the direct and indirect costs of owning and using hardware and software. Managers of enterprise systems use various versions of TCO to lower costs while increasing the benefits of information technology deployments. The TCO includes: original cost of the computer and software, hardware and software upgrades, maintenance, technical support, and training. Most estimates place the TCO at about 3 to 4 times the actual purchase cost of the PC.

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.

TOTAL QUALITY MANAGEMENT (TQM) is a structured system for satisfying internal and external customers and suppliers by integrating the business environment, continuous improvement, and breakthroughs with development, improvement, and maintenance cycles while changing organizational culture.

TQM see TOTAL QUALITY MANAGEMENT.

TRACEABILITY, COST is where businesses rely on linking or tracing costs to outputs; managerial or cost accounting provides managers this information. Management accountants strive to establish causal relationships between costs and cost objects to determine why costs were incurred. The process of tracing costs to cost objects forges a necessary link so that ultimately costs can be traced to outputs, even if at an aggregated level to their main categories: Direct Costs, Indirect Costs, and General and Administrative Costs.

TRACEABLE, in accounting, is to discover by going backward over the transactions (evidence) step by step establishing a "paper-trail" for a transaction. Non-traceable is where the "paper-trail" of a transaction is broken or non-existent.

TRADE ACCEPTANCE is a draft drawn by the seller of goods upon the buyer who agrees to pay usually by signing "accepted" on the draft along with the buyer's signature.

TRADE DEBTORS represent amounts of money owed by customers who have purchased goods/services from the company.

TRADE DISCOUNT is a producer discount given to retail trade members to assist them in increasing sales of the producer's product.

TRADE DRAFT is a draft addressed to a commercial enterprise.

TRADE EXCHANGE is a barter system where people or companies trade goods and services without the use of money. In the U.S., income from barter transactions is considered taxable.

TRADEMARK is a formally registered symbol identifying the manufacturer or distributor of a product.

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 PAYABLE, also known as an account payable, is an amount owed to a creditor for goods and services received.

TRADE RECEIVABLES (NET) are all accounts from trade, net of allowance for doubtful accounts.

TRADE INVESTMENT is shares held by one company in another. Also known as fixed asset investment.

TRADE SPENDING is that marketing expense directed towards brand building, e.g. promotional allowances, slotting, and advertisements. Total expenditure often represents 20-25% or more of total sales and is a

significant expenditure for any size company. Managing this investment more wisely and reducing any fraction of a percentage of these dollars is vital.

TRADING ACCOUNT is an account held at a financial institution and administered by an investment dealer that the account holder uses to employ a trading strategy rather than a buy-and-hold investment strategy.

TRADING CONCERN is an entity that derives its products for sale, thereby revenue, through purchasing products for sale from other producers / manufacturers for resale to their customer base.

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.

TRAILING, in time periods, is the most recently completed time period. For example, trailing twelve months would be the twelve-month period which ended on the final day of the last month.

TRANCHES are related securities that are offered at the same time but have different risk, reward, and/or maturity.

TRANSACTION is an event or happening that changes financial position and/or earnings.

TRANSACTION ANALYSIS is coupled with data event analysis. Transaction analysis looks at the data carriers which move data and information around the firm. Some of these transactions may be externally generated and some are internally generated. See DATA EVENT ANALYSIS.

TRANSACTION DATE is the date on which an activity occurs.

TRANSACTION DRIVERS are used to count the frequency of an activity, i.e., the number of times an activity is performed.

TRANSACTION EXPOSURE, in foreign exchange, is the possibility of incurring exchange gains or losses on transactions already entered into and

denominated in a foreign currency. It is typified by real exchange gains or losses and mixes retrospective and prospective views. It is short-term in nature.

TRANSFER JOURNAL ENTRY is used to allocate an expense or revenue from one account or sponsored project to another, or to transfer funds between object codes within an account or sponsored project. Transfers journal entries should include a description of the item(s) and explanation of why the transfer is necessary.

TRANSFER PRICE is the price charged by an individual entity in a multi-entity corporation on transactions among the entities involved.

TRANSLATION EXPOSURE, in foreign exchange, is to convert the results of foreign operations from the local currency to the home currency in the areas of paper exchange gains or losses; it is retrospective and short-term in nature.

TRANSPARENCY, in economics, (1) Principle adopted in the General Agreement on Tariffs and Trade that governments must make their rules, regulations, and practices open and accessible to the public and other governments. (2) General Agreement on Trade in Services requirement that its member states publish their regulations affecting trade in services, that they notify the Council for Trade in Services of any relevant changes, and that they respond promptly to requests for information from other members.

TRANSPORTATON IN is freight costs paid by the buyer therefore added to the costs of merchandise, i.e. part of inventory cost.

TRANSPORTATION OUT is part of cost of selling therefore included as selling expense, i.e. part of SG&A.

TRANSPOSITION ERROR is the unintentional exchange of two elements of an ordered list with all others staying the same. A transposition is therefore a permutation of two elements. For example, the swapping of 2 and 5 to take

the list 123456 to 153426 is a transposition. In this example, if the newly ordered list of 153426 was unintentional, it would be commonly called a transposition error. In accounting, an error in copying a number from one place to another is a transposition error.

TREASURY BILL (T-BILL) is a government security that matures in one year or less. They are zero-coupon bonds that are sold at a discount of the par value to create a positive yield to maturity. Treasury bills are considered by many the most risk free investment. Treasury Bills are commonly issued with maturity dates of 91 days, 6 months, or 1 year.

TREASURY CERTIFICATE is a U. S. Treasury security usually issued at par with a specified rate of interest and a maturity of one year or less. It is issued payable to the bearer and sold in minimum amounts of $l0,000.

TREASURY CYCLE is the timing and frequency of the various maturities or treasury instruments; transactions include those related to financing the operations of the business (e.g. issuance of capital stock or long-term debt).

TREASURY NOTE is a intermediate term debt obligation of the US government that has a maturity from one to ten years. They are issued in $1,000 denominations and pay interest semiannually. Treasury notes are commonly abbreviated as "T-notes".

TREASURY SHARE see TREASURY STOCK.

TREASURY STOCK is stock reacquired by the issuing company and available for retirement or resale. It is issued but not outstanding. It cannot be voted and it pays or accrues no dividends. It is not included in any of the ratios measuring values per common share.

TREND is the general direction in which something tends to move.

TREND ANALYSIS is the analysis of changes over time through the use of analytical techniques, such as time series analysis, to discern trends.

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.

TRIPLE BOTTOM LINE (TBL) is a metric for a corporation's social, environmental, and economic performance. TBL is the latest series of buzz words to describe business involvement in sustainability. TBL is all about dropping the financial bottom line as a meaningful indicator of where you stand in the market place and replacing it with a bottom line that properly acknowledges the interplay of the social economic and environmental dimensions of our lives.

TRIPLE NET (NNN) is a lease that includes on top of the basic rent, a share of the real property taxes, insurance, and maintenance. "Triple-net-leases' are standard in commercial property leases in shopping centers and malls. Usually done under a limited partnership, resulting in lower risk for investors.

TRIPLE P is a productivity model wherein the interrelationship between productivity, profitability and performance, as well as, effectiveness and efficiency are plotted in a schematic view where the main difference between these five terms can be captured.

TRUE AND FAIR VIEW is one of the most prominent principles of accounting. It suggests that an enterprise should provide a true and fair view about its financial conditions and operating results. The concept of true and fair view does not mean absolute truth about enterprises. Financial statements are a product of management's judgments and estimates. The principle of true and fair view requires comparative truth about the enterprises' picture. True and fair view is rather defined operationally; it is thought to be accomplished by complying with all other lower accounting principles.

TRUE-UP, generally, is to make level, square, balanced, or concentric. Used in business as an expression meaning to "bring into alignment" with predetermined criteria or process.

TRUE VALUE is the amount that a buyer is finally willing to pay.

TRUST ACCOUNT is a separate bank account, segregated from a broker's own funds, in which the broker is required by state law to deposit all monies collected for clients; in some states called an ESCROW ACCOUNT.

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.

T/T is a payment or financial transaction designation meaning "Telegraphic Transfer" of funds.

TTM see Time To Market.

TURNAROUND is the reversal of unfavorable circumstances of a business where an investment opportunity may exist. A firm may work with such a business to restructure the management and finances in order to take the greatest advantage of more favorable circumstances. There are organizations like the Turnaround Management Association that specialize in turning around failing companies.

TURNAROUND DOCUMENT is a document that has been created by a computer to be used for data entry. It is a called a turnaround document because once it has been filled in by users it is then used for input back into the computer. An example of a turnaround document is the mark sheet that is filled in by your teacher. The mark sheet is generated by the computer, filled in by the subject teacher and then used for input back into the computer so that reports can be printed.

TURNOVER, in U.S. accounting, is the number of times an asset is replaced during a financial period; often used in terms of inventory turnover or accounts receivable turnover. In securities, for either a portfolio or exchange, TURNOVER is the number of shares traded for a period as a percentage of the total shares. In Great Britain, TURNOVER means sales.

TWO PARTY CHECK is a check made out from one individual to another, i.e. only two entities are involved in the transaction.

TWO PARTY ENDORSEMENT, normally, is when two signatures are required to make a document or bank draft legal or authorized.

ULLAGE is the empty space present when a shipping container is not full.

UNABSORBED COSTS occurs when the cost structure does not fully reflect all variable and/or fixed costs.

UNALLOCATED COSTS represents corporate costs not associated either directly or indirectly in providing a product or service for sale. Unallocated costs are not included in the calculation of COST OF GOODS SOLD.

UNAPPLIED CASH see UNAPPLIED FUNDS.

UNAPPLIED FUNDS is available money credited to a temporary holding (suspense) account, pending determination or instruction on the breakdown of how the money is to be allocated.

UNAPPROPRIATED PROFITS are those profits that have been withdrawn from a business by its proprietors or appropriated for any other purpose.

UNAUDITED OPINION is a qualified opinion by a Certified Public Accountant who has not audited the relevant financial statements.

UNBILLED REVENUE is revenue which had been recognized but which had not been billed to the purchaser(s).

UNBUDGETED are items and/or amounts that are currently not included within a budget.

UNCOLLECTIBLE ACCOUNT EXPENSE, also known as a bad-debt expense, is that expense incurred in the unsuccessful attempt to realize payment of a Account Receivable. Uncollectible account expenses must be incurred in the time period in which the related sales are made, e.g. an AR that originates from a credit sale in January and is determined to be uncollectible in June represents an expense in January.

UNCONDITIONAL means that an agreement is not contingent, determined or influenced by someone or something else; to include not being modified or restricted by reservations.

UNCONTROLLABLE EXPENSE is expense that cannot be controlled or restrained. Some of the costs of doing business can not be postponed or spread out over a longer period of time (e.g., taxes, rent and utilities).

UNDERABSORBED BURDEN is where total employee costs, other than salaries, have not been fully allocated to products sold or services offered.

UNDERABSORBED OVERHEAD is where total overhead has not been fully allocated to products sold or services offered. Such a condition can result in an understatement of COGS or cost of sales.

UNDER-APPLIED FACTORY OVERHEAD is the amount of residual factory overhead that remains once all known overhead allocations are assigned to the applicable products. See also UNABSORBED COSTS.

UNDER-BILLING is not recovering the full value of the agreed upon price or not billing for the correct amount of services or goods provided (usually unintentional).

UNDERBUDGETED is a line item within a budget to where the budgeted amount is not sufficient to cover the actual amount.

UNDERLYING is the security, cash commodity, forward, futures contract, swap, or other contract or instrument that is the subject of a derivative contract or instrument.

UNDERRECORDED normally refers to an understatement as to what a total would be if all data was accurately included or considered; e.g. underrecorded costs, revenues, population, etc.

UNDERSTATED is to represent as less than is the case.

UNDERWRITER is a. a banker who deals chiefly in underwriting new securities (investment banker), or b. an agent or financial institution that sells insurance.

UNDERWRITER'S DISCOUNT is the differential between the price paid to the issuer for the new issue and the prices at which the securities are initially offered to the investing public.

UNDERWRITER'S SPREAD see UNDERWRITER'S DISCOUNT.

UNDERWRITING is to protect by insurance or to guarantee the financial support of the subject item.

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.

UNEXPIRED means not having come to an end or been terminated by the passage of time.

UNFAVORABLE VARIANCE is the opposite of favorable variance. See FAVORABLE VARIANCE.

UNFUNDED COMMITMENT is, as of any date of determination, the sum of legally binding calls upon current or future assets to where the assets or sums have not been identified or set aside to satisfy the commitment.

UNICAP see UNIFORM CAPITALIZATION RULES.

UNIDENTIFIED CASH RECEIPTS is normally a temporary holding (suspense) account in which funds received but not yet identified as to which account receivable the amount should be properly assigned to are posted.

UNIFORM CAPITALIZATION RULES (UNICAP), in the U.S., is a method of valuing inventory for tax purposes that requires capitalization of direct costs, e.g. material and labor, and an allocable portion of indirect costs that benefit or are incurred because of production or resale activities. Certain expenses must be included in the basis of the property or in inventory costs rather than currently deducted. These costs are then recovered through depreciation or amortization or as cost of goods sold.

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

UNIT COST see OBJECT COST.

UNITIZE is to separate or classify into units, e.g. auto manufacturers unitize along model designations.

UNIT-LEVEL ACTIVITY, in Activity Based Costing, is an activity that must be done for each unit of production.

UNIT-OF-DELIVERY METHOD see UNIT-OF-WORK-PERFORMED METHOD.

UNIT-OF-WORK-PERFORMED METHOD is where revenue and cost of sales are recorded as units of work are delivered. This is most suitable to

production-type contracts where many units of a product are produced in a continuous process, e.g. automobile manufacture.

UNLIMITED COMPANY is where there is no limit to the members liabilities.

UNLIQUIDATED can mean: not liquidated; not exactly ascertained; not adjusted or settled.

UNQUALIFIED OPINION is an independent auditor's opinion that a company's financial statements comply with accepted accounting procedures. See QUALIFIED OPINION.

UNREALIZED is an event having occurred but not yet reflected in a transaction. This refers to unrealized gains and losses, which have not happened but would happen if the investor sold the security or asset that an entity currently holds. Unrealized gains are not usually taxable. It is the opposite of realized.

UNREALIZED ACCOUNTS RECEIVABLE, in cash based accounting, is monies due but not received; can be used to offset taxes.

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.

UNREALIZED LOSS is a term that commonly refers to the write-down of an investment portfolio resulting from applying the lower of cost or market value on an aggregate basis. On a short-term portfolio, the unrealized loss is shown on the income statement. On a long-term portfolio, the unrealized loss is presented as a separate item in the stockholder's equity section of the balance sheet.

UNRESOLVED EQUITY is the difference between Total Assets and Total Liabilities on the Balance Sheet. Total Assets is always equal to Total Liabilities plus Equity.

UNRESTRICTED ASSETS are assets / resources which are not restricted for use by legal or contractual requirements and may be used for any purpose.

UNRESTRICTED GRANT is a grant made to further the general purpose or work of an organization, rather than for a specific purpose or project.

UNSECURED is obligation backed not by collateral but only by the integrity of the borrower. Opposite of secured.

UP-FRONT PAYMENT is anything of value, usually money, delivered at the time a contract is signed, e.g. down payment, licensing fees, or closing costs.

UPSTREAM / DOWNSTREAM SALES is normally associated with inter-company sales: Upstream is a subsidiary selling into the parent entity; while downstream is the parent selling into a subsidiary.

UNUSUAL GAINS AND LOSSES are material gains and losses that are either unusual or occur infrequently, but not both, are excluded from the extraordinary item classification (see EXTRAORDINARY ITEMS).

USAGE VARIANCE is the difference between the budgeted quantity of materials and the actual quantity used.

USEFUL LIFE is the expected period of time, in years, during which a depreciating asset will be productive.

USE TAX is a tax on the storing, using, consuming, and sometimes distributing tangible personal property or providing a taxable service, i.e. you will be subject to the use tax in the state where that event occurs.

USP is Unit Sales Price, Unique Selling Proposition, Unique Selling Point, or Usage Sensitive Pricing.

UST is United States Treasury.

UST BENCHMARK RATE is the yield to maturity (calculated in accordance with standard market practice) corresponding to the bid-side price for the relevant UST Bond.

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

VALIDATE is to a. declare or make legally valid; b. mark with an indication of official sanction; or, c. to establish the soundness of; corroborate.

VALUATION ALLOWANCE/RESERVE is an allowance to provide for changes in the value of a company's assets, such as depreciation or if an asset is deemed impaired.

VALUATION DATE is the day when the evaluation has been made or the date when the evaluation applies.

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.

VALUE ADDED is the difference, at each stage of production or the provisioning of a service, between the price of a product or service and all materials or activities paid for to produce the product or provide the service.

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 ADDED VERTICAL INTEGRATION is controlling as much of the build stream, both upstream and downstream, in producing a product or

service as possible while ensuring that every part of the stream provides added value. See also VALUE ADDED and VERTICAL INTEGRATION.

VALUE CHAIN is the sequential set of primary and support activities that an enterprise performs to turn inputs into value-added outputs for its external customers. As developed by Michael E. Porter, it is a connected series of organizations, resources, and knowledge streams involved in the creation and delivery of value to end customers. Value systems integrate supply chain activities, from determination of customer needs through product/service development, production/operations and distribution, including (as appropriate) first-, second-, and third-tier suppliers. The objective of value systems is to position organizations in the supply chain to achieve the highest levels of customer satisfaction and value while effectively exploiting the competencies of all organizations in the supply chain.

VALUE CREATION is performing activities that increase the value of goods or services to consumers.

VALUE FOR MONEY is in the perception of the buyer or receiver of goods and/or services. Proof of good value for money is in believing or concluding that the goods/services received was worth the price paid. Examples of the types of factors that may be considered are suitability, quality, skills, price, whole of life costs and other criteria. The mix of these and other factors and the relevant importance of each will vary on a case by case basis.

VALUE IN USE is the value of an asset in the opinion of the owner.

VALUE MANAGEMENT is the application of established techniques to help define and refine business need, delivery strategy and the best value concept by setting customer objectives and values and determining success criteria for the project.

VALUE STOCK is a stock that trades at a lower price relative to it's fundamentals (i.e. earnings, dividends, sales, etc.); thereby being considered

undervalued by a value investor. Common characteristics of such stocks include a high dividend yield, low price-to-book ratio and/or low price-to-earnings ratio.

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 expenses that usually fluctuate dependent upon production or sales volume. Contrast with FIXED EXPENSES.

VARIABLE INTEREST RATE is an interest rate that moves up and down based on the changes of an underlying interest rate index, e.g. a credit card might have a variable rate that is a certain spread over the prime rate.

VARIANCE, in accounting, is the difference between a projected number and the actual number, e.g. 1. a budget variance is spending either more or less from the amount that was budgeted; and 2. a cost variance is the difference between actual cost and standard cost in the categories of direct material, direct labor, and direct overhead.

VARIANCE ANALYSIS is the analysis of performance by means of variances. Used to promote management action at the earliest possible stages. After a budget (based on standard costs) has been set, its usefulness lies in the review procedures which compare actual results against the budget. Variance analysis is the process of examining in detail each variance between actual and budgeted/expected/standard costs to determine the reasons why budgeted results were not met (material costs too high, sales prices too low, etc.).

VAT see VALUE ADDED TAX.

VC is Venture Capital(ist) or Variable Cost. See also VENTURE CAPITAL, VENTURE CAPITALIST or VARIABLE COSTS.

VEBA is Voluntary Employees' Benefits Association.

VENDOR is a legal entity that promotes or exchanges goods or services for money.

VENDOR MANAGED INVENTORY (VMI) is a process in which a supplier generates orders for its distributor based on demand information sent by the distributor. Vendor Managed Inventory was first applied to the grocery industry, between companies like Procter & Gamble (supplier) and Wal-Mart (distributor). But increasingly, Vendor Managed Inventory is providing the benefits of smoother demand, increased sales, lower inventories and reduced costs to other industries.

VENDOR STATEMENT is a statement by the seller to the buyer detailing material particulars regarding the property in question (suitability for intended use).

VENTURE is an investment that is very risky but could yield great profits.

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.

VENTURE CAPITALIST (VC) is a professional equity-based investor. He/She manages one or more venture capital funds looking for suitable high-reward investments. VC investment are normally in riskier start-up or expansion ventures. Being high-risk investors, venture capitalists normally

look for a substantially higher rate of return than might be realized in more traditional investments. See ANGEL INVESTOR.

VERIFIABILITY is where the fact is capable of being tested (verified or falsified) by experiment or observation.

VERTICAL FINANCIAL ANALYSIS allows comparison of the financial ratios of a company in time – past, present and future.

VERTICAL INTEGRATION is the extent to which a firm owns its upstream suppliers and its downstream buyers. Control upstream is referred to as backward integration (towards suppliers of raw material), while control of activities downstream (towards the eventual buyer) is referred to as forward integration.

VESTED refers to having an absolute right or title, when previously the holder of the right or title only had an expectation. Example: after 20 years of employment Larry Loyal's pension rights are now vested.

VET, VETTED, VETTING is to make a careful and critical examination of someone or something, e.g. a person prior to employment.

VIABILITY, in economics, is the capability of developing and surviving as a relatively independent social, economic or political unit.

VISUAL-FIT METHOD is a cost estimation method where an analyst examines a cost by plotting points on a graph (called a scatter diagram) and places a line through the points to yield a cost function. This method is more objective than the account-classification method, but it is still lacking because two cost analysts could (and likely would) visually fit different lines. Such an approach is useful, though, because it helps spot non-representative data points, or outliers.

VMI see VENDOR MANAGED INVENTORY.

VOLATILITY, in securities, is the measurement of the change in price over a given time period. It is often expressed as a percentage and computed as the annualized standard deviation of percentage change in daily price.

VOLATILITY RISK is the risk that a specific security price will increase or decrease by greater increments than the general market.

VOLUME GAIN is to obtain advantages due to increase in volume, such as value increase, points in gross margin or profit.

VOSTRO ACCOUNT is a local currency account maintained with a bank by another bank. The term is normally applied to the counterparty's account from which funds may be paid into or withdrawn, as a result of a transaction.

VOUCHER is a. a piece of substantiating evidence; a proof; or, b. a written record of expenditure, disbursement, or completed transaction; or, c. a written authorization or certificate, especially one exchangeable for cash or representing a credit against future expenditures.

WACC see Weighted Average Cost of Capital.

WAGE is actual remuneration paid to an employee for services rendered. Minimum wages, in the U.S.A., are established by the federal Fair Labor Standards Act.

WARRANT, in government accounting, is an order drawn authorizing payment to a designated payee. In securities, it 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.

WARRANTY is a guarantee given to a buyer from a seller that the goods or services purchased will perform as promised, or a refund will be given, repair will be done at no charge, or an exchange made.

WASTAGE see SCRAP.

WEIGHTED AVERAGE is one in which different data in the data set are given different "weights." Varying subjective assumptions are derived for determining the level of importance for each data category. For example, many teachers will use a "weighted average" when calculating a student's grade in a course. A teacher might determine the final grade for the course by calculating that the test average is 60% of the grade, quiz average is 30% of the grade, and a single project is 10% of the grade.

WEIGHTED AVERAGE COST OF CAPITAL (WACC) is an average representing the expected return on all of a company's securities. Each source of capital, such as stocks, bonds, and other debt, is weighted in the calculation according to its prominence in the company's capital structure.

WHITE COLLAR CRIME is a number of miscellaneous nonviolent crimes lumped together as white collar crimes. There is no fixed definition of white collar crime, although it usually includes bribery, embezzlement, fraud, forgery, and violations of trust committed by corporations or individuals engaged in commerce. Historically, in the U.S. many white collar crimes have received lenient punishment from a criminal justice system that considered white collar crimes to be less serious than more violent crimes. Today, the trend is for stricter punishment of white collar crimes in recognition of the financial damage they inflict on society.

WHITE KNIGHT is an entity that comes to the rescue of a corporation that is being taken over.

WHITE PAPER 1. in a technological industry, is an informational brief offering an overview of a technology, product, issue, standard, policy, or solution - its importance, use and implementation, and business benefits. White Papers have emerged as the standard way of communicating more in-depth information to business decision-makers in terms of problems solved and markets addressed; or, 2. a White Paper can be an official government report of an investigation into a public event that received a great deal of publicity and notoriety; it indicates the official government position on a particular public issue.

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

WHOLESALE is the selling of goods to retail merchants; usually in large quantities for resale to consumers.

WINDFALL PROFIT/GAIN is profit that occurs suddenly as a result of an event not controlled by the company or person realizing the gain from the event. For example, a hurricane may bring extraordinary revenue to a roofing contractor as a result of the natural disaster.

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.

WINDOW OF ENTERPRISE depicts the overall structure of accounting.

WIDGET is a device that is very useful for a particular job. Often used within a name of a fictitious company.

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.

WITHDRAWAL is a. the act of taking out money or other capital from a controlled account; or, b. a retraction of a previously held position.

WITHOLDING, dependent upon application, is: a. income tax withheld from employees' wages and paid directly to the government by the employer; or, b. a tax deducted from dividends on investments which are paid to foreign investors. This can be claimed back if there is a Double Taxation Agreement in place between the countries. See WITHHOLDING TAX.

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.

WORK CENTER, normally, is an individual production area or sub-process of an overall manufacturing process.

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 ASSET STATEMENT is a net worth statement minus any personal assets, the car, house, boat, etc. A working asset statement will give a clear picture of an individual's invested assets.

WORKING CAPITAL (WC) is current assets minus current liabilities; also called net current assets or current capital. It measures the margin of protection for current creditors. It reflects the ability to finance current operations.

WORKING CAPITAL DAYS OF NET SALES measures how many days of net revenue are tied up in working capital. It is calculated: Working Capital Days of Net Sales = Working Capital / Net Revenue * 365. Low values tend to show problems in ability to support sales while high values may indicate under-capitalization problems.

WORKING CAPITAL RATIO is working capital expressed as a percentage of sales.

WORKING CAPITAL STATEMENT (WCS) is part of the financial statements' "Statements of Cash Flows or Changes in Financial Position." The WCS normally includes sections covering: Sources of Working Capital, Uses of Working Capital, and Working Capital Changes.

WORKING CAPITAL TURNOVER (WCT) shows how efficiently Working Capital (WC) is employed, i.e., it measures how efficiently the business is using its available assets. WCT measures the amount of Net Revenue generated per monetary unit of Working Capital. It varies widely by industry; therefore it is best to compare WCT to industry averages.

WORKING PAPERS, in accounting, are papers that document the evidence gathered by auditors to show the work they have done, the methods and procedures they have followed, and the conclusions they have developed in an audit of financial statements or other type of engagement.

WORKING TRIAL BALANCE is similar to the trial balance. Additionally, it contains columns for adjusting entries and the adjusted balance. This report is typically used at year-end to assist in making adjusting entries.

WORK IN PROCESS is parts and subassemblies in the process of becoming completed finished goods.

WORK IN PROGRESS a piece of work that is not yet finished.

WORK-OF-ART is a product of one of the fine arts; especially a painting or sculpture of artistic merit.

WORK SHEET is a document or schedule in which an accountant or auditor gathers information to substantiate an opinion concerning an account balance or 'test of transaction.'

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.

WORTH is an indefinite quantity of something having a specified value. See VALUE.

WRAP ACCOUNT at its most basic is an alternative form of commission arrangement between a securities firm and its client. Wrap accounts generally charge the client an annual fee based on assets in the account in lieu of a per transaction commission structure. In other words, the firm "wraps" together all the costs and charges them off as a "management fee". Firms often add further features to wrap accounts such as investment management, custodial services, and enhanced reporting.

WRITE-DOWN is the reduction in the book value of an asset.

WRITE-OFF is to decrease the value of an item, e.g., a tax write-off decreases tax liability, a vehicle involved in an accident can be declared a write-off if the cost to repair is in excess of the value of the vehicle.

WRITE-UP is the increase in value of an asset, but it is seldom used and is not allowed in GAAP (Generally Accepted Accounting Principles).

WRITE-UP SERVICE is the provisioning of all reporting requirements of bookkeeping and accounting services. The following is a non-exhaustive list of reporting services provided:

1099s report preparation for subcontractors.
Bank account reconciliation.
Check coding.
Fixed asset schedules.
Maintenance of general ledger.

Payroll deposit calculations.
Payroll tax filings.
Personal property tax returns.
Preparation of internal financial statements.

W-2 FORM, Wage and Tax Statement, is the form U.S. employers are required by the IRS to issue for each employee before February 28th of the following year. The W2 form lists the employee's total wages/compensation and taxes withheld within the calendar year of the year preceding.

W-3 FORM, Transmittal of Wage and Tax Statements, is a form employers must use when filing paper W-2s with the Social Security Administration. Form W-3 summarizes the total wages, Social Security wages, federal income tax withheld, and FICA tax withheld from employees during the year and lists the number of W-2s being transmitted.

W-4 FORM, Employee's Withholding Allowance Certification , is completed by each employee so that the employer can withhold the correct federal income tax from the employee's pay. Because tax situations may change, employees may want to refigure their withholding each year.

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

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

YELLING MARKETS refers to markets where transactions involve the yelling of prices and quantities during the transaction.

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%).

YIELD TO MATURITY (YTM) is the rate of return the investor will earn if a bond is held to maturity.

YTD is Year To Date; meaning the period beginning of the calendar year, January 1st of the current year, or the fiscal year up until today's date.

YTM see YIELD TO MATURITY.

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.

ZERO-RATED denotes goods on which the buyer pays no value-added tax although the seller can claim back any tax he/she has paid.

ZERO-RATED SALES is when a sale is taxable at the rate of 0%, i.e. no sales tax. Some examples could be: basic groceries, prescription drugs or certain medical devices.

Z-SCORE see ALTMAN'S "Z-SCORE"

2-WAY MATCHING is the comparison of relevant voucher to purchase order.

3-WAY MATCHING is the comparison of relevant voucher, purchase order, and receiver.

3% RULE see THREE PERCENT RULE.

4 C's OF CREDIT are the four primary considerations that will affect a lender's decision to approve or decline your loan application. Known as the 4 C's of credit: 1. Capacity - what is your ability to repay the loan? Do you have a job or another income source? Do you have other debts? 2. Character - will you repay the loan? Have you used credit before? Do you pay your bills on time? 3. Collateral - if you fail to repay your loan, is there something of value that you agree to forfeit? For example, if you are buying your first car, it could be used as collateral to insure that you will repay the loan. If you default, you lose your car. 4. Capital (accumulation) - what are you worth? Do you have other assets, such as a savings account, car, or certificate of deposit that could be used to repay the debt?

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.

8-K is a document required by the SEC to announce certain significant changes in a public company, such as a merger or acquisition, a name or address change, bankruptcy, change of auditors, or any other information which a potential investor ought to know about.

10-K is the audited annual report that most reporting companies file with the Securities and 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 and 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.

13TH PERIOD in the fiscal year is the period used for fiscal year-end adjusting entries (periods 1-12 being the months in the fiscal year).

15 MINUTE RULE is a timekeeping method used as a semi-official delay prior to ending or beginning an activity. For example: a. Only waiting for a tardy college instructor for 15 minutes prior to the class being terminated, or, b. Putting a 15 minute hands-off delay before impulsively eating a candy when dieting.

80 - 20 RULE (Pareto Principle/Law) is a general rule of thumb in business that says that 20% of the items produce 80% of the activity, while 20% of the product line produces 80% of the sales, 20 % of the customers generate 80% of the complaints, and so on. In evaluating any business situation, look for the small group which produces the major portion of the transactions you are concerned with. This rule is not exactly accurate, but it reflects a general truth, nothing is evenly distributed.

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.

940 Form is the U.S. IRS Employer's Annual Payroll Tax form.

941 Form is the U.S. IRS Employer's Federal Quarterly Payroll Tax form.