

CHAPTER 6	COMMON BUSINESS TERMINOLOGIES
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(MCQ Based - Selected)

Acceptance- A very wide term that is used in context with financial agreements and contracts.
Administered Rates- The rates of interest which can be changed contractually by lender.
American Depository Receipt (ADR) - Depository receipts which are equal to a specific number of shares of company that have been issued in a foreign country.
Amortize- Amortize is to charge a regular portion of an expenditure over a fixed period of time.
Annuity- A series of payments of an equal amount at fixed intervals for a specified number of periods.
Annuity Due- An annuity whose payments occur at the beginning of each period.
Appreciation- Appreciation is an increase in value of an asset.
Arbitrage- The simultaneous purchase and sale of two identical commodities or instruments.
Audit- A careful review of financial records of an organisation to verify their accuracy.
Automated Teller Machines- Machines are basically used to conduct transactions with the bank, electronically through which money can be withdrawn and deposited.
Badla- Carrying forward of transaction from one settlement period to the next without effecting delivery or payment.
Balance Sheet- A statement of the financial position of a company at a single specific time.
Bank Rate- The rate of interest at which commercial banks can draw from the Reserve Bank of India for a long time period.
Bankruptcy- Economic insolvency, wherein the person's assets are liquidated, to pay off all liabilities
Base Price- The price of a security at the beginning of the trading day which is used to determine the day's lowest/highest price and the price range.
Basis Point- It is a measure of change in financial parameters such as interest, stock indices and market rates. It is 1/100 or 1%.
Bear Market- A market situation when share price are continuously falling.
Bears- Stock-market players are pessimists, who expects share prices or other type of investment to fall and sells quickly before the value of his holding declines.
Benchmarking- The process of comparing the products / services, or business processes of an enterprise against the best firm in the industry with the objective of improving quality and performance.

Beta- It is a measurement of relationship between stock price of any particular stock and the movement of whole market.
Bid- It is the highest price a buyer is willing to pay for a stock. It is opposite of ask/offer.
Blue Chips- Shares of large, well established and financially sound companies with an impressive record of earnings and dividends.
Bond- A type of long-term Promissory Note either registered in the owner's name or issued as bearer instruments.
Brand Equity- The estimated value of a brand on the basis of brand's loyalty. Brand equity also includes other "intangible" assets such as patents, trademarks and channel relationships.
Brand Loyalty- It is a strongly motivated and long standing decision of the customer to purchase a particular product or service.
Break Even Point- It is the amount of revenue from sales which exactly equals the amount of expense.
Bridge Financing- Finance raised to fill up the time gap between a short term loan and long term loan also known as gap finance.
Budget- A detailed plan for the future, usually expressed in formal quantitative terms for a specified period.
Bull Market- A market in which the stock price is increasing consistently.
Business to Business- Marketing activity directed from one business to another. This term is often shortened to " <u>B2B</u> ".
Cap- A limit to which rate of interest can be changed.
Cash Reserve- The total amount of cash available in the bank account and can be withdrawn immediately.
Cheque- A negotiable instrument that instructs the bank to pay the specified amount from the drawer's account to the payee.
Commercial Paper- Unsecured, short-term promissory notes of large firms
Consolidation- Business combination of two or more entities that occurs when the entities transfer all of their net assets to a new entity created for that purpose.
Consortium- A group of several firms which work together to buy something or to build something.
Corporate Governance- The system that ensures that a company's operations are conducted in an ethical manner and as per provisions the law.
Cross-Selling- Selling related products to buyers of a product.
Defensive Stock- A stock that provides constant dividends and stable earnings even in the periods of economic downturn
Derivatives- A Financial security whose value/price is derived from one or more underlying assets.
Distribution Channel- The network of organisations necessary to distribute goods or services from the manufacturers to the consumers.
Diversification- Reducing the investment risk by purchasing shares of different companies operating in different sectors.

Dividend- A portion of the company's earnings decided to pay to its shareholders in return to their investments.
E-Cash- Use of electronic networks to transfer funds and execute transactions.
Exchange Rate- The rate at which one currency can be purchased for another currency.
Financial Instrument- A written document and authenticated evidence that shows the existence of a transaction or agreement.
FMCG- Stands for Fast-Moving Consumer Goods of daily use which are low priced, frequently purchased and sell in large volumes.
Forecasting- The process of estimating future demand on the basis of price levels, disposable incomes and other relevant factors.
Globalization- A systematic process of removing the barriers to international trade in goods and services.
Hedge- A strategy that is used to minimize the risk of a particular investment and maximize the returns of an investment. i.e. simultaneous development of economy, society and ecology.
Interest Rate- Charge that is paid by any borrower or debtor for the use of money
Internet Banking- A system wherein customers can conduct their transactions through the Internet. This kind of banking is also known as e-banking or online banking.
Letter of Credit- A document issued by a bank (on behalf of the buyer or the importer), stating its commitment to pay a third party (seller or the exporter), a specific amount, for the purchase of goods by its customer, who is the buyer.
Liberalization- A systematic process of easing of government's control over the private business activity.
Lock-in Period- A guarantee given by the lender that there will be no change in the quoted mortgage rates for a specified period of time, which is called the lock-in period.
Logistics- It is a commercial activity implying moving of supplies to the production facilities and goods and services to their respective markets.
Market Capitalization- It is calculated by multiplying all the outstanding shares with the current market price of one share.
Market Leader- The company that has control over a certain market.
Marketing Mix- 4Ps of marketing à Product, Price, Place and Promotion.
Mass Marketing- When many consumers receive the same message from businesses and non-profit organizations through mass media
Merger- A process when two or more companies come together to expand their business operations.
Mission- Company's Mission statement is typically focused on its present business scope - "who we are and what we do".
Mutual Fund- A pool of money managed by experts by investing in stocks, bonds and other securities with the objective of improving their savings.
Niche Marketing- Concentrating efforts on relatively small market segments.
Overdraft- Withdrawal of money in excess of the balance in the borrower's current account.

Personal Selling- <u>Oral communication</u> with prospective buyers to make a sale and develop relationships with them.
PESTLE- Political (P), Economic (E), Social (S), Technological (T), Legal (L) and (E) Environment (E) (Natural Environment)
Portfolio- Various type of securities of different companies operating in different sectors held by an investor.
Pre-Emptive Pricing- Setting low prices to discourage entry of new suppliers in the market.
Price Discrimination- When a firm charges a different price to different groups of consumers for an identical good or service, for reasons not associated with costs.
Price Sensitivity- The effect of change in price on customers.
Price Skimming- Charging high price for a short time where a new and innovative product is launched in the market.
Privatisation- It is a systematic process of Selling of public enterprises to private business enterprises.
Repo Rate- The rate at which banks borrow money from the Reserve Bank of India for short periods upto two weeks by pledging government securities.
Reverse Repo Rate- The rate of interest offered by RBI, when banks deposit their surplus funds with the RBI for short periods.
Risk- A probable chance of reduction in the actual returns than expected/ calculated.
Stock Split- An attempt to increase the number of outstanding shares of a company by splitting the existing shares.
Syndicated Loan- A very large loan extended by a group of small banks to a single borrower, especially corporate borrowers.
Target Marketing- Using appropriate advertisements to reach out to a group of consumers having similar characteristics.
Thin Market- A market in which there are comparatively low number of bids to buy and offers to sell.
Triple Bottom Line (TBL)- The equal emphasis on these triple Ps, viz. Profits, People and Planet is known as the TBL
Turnaround- The financial recovery of a company that has been performing poorly for an extended time.
Unique Selling Proposition (USP)- A unique selling proposition is a customer benefit that no other product can claim.
Value At Risk (VAR)- The sum or portion of the value that is at stake of subject to loss from a variation in prevalent interest rates.
Vision- A Strategic vision is a <u>road map of a company's future</u> .
Yield- It is the measure of return on investments in terms of percentage.
Zero Coupon Bond- A bond sold below par value with no annual interest but provides capital appreciation.
Zero- Down-Payment Mortgage- Zero-down-payment mortgage is a type of mortgage given to a buyer who does not make any down payments while borrowing.

CA. VIPIN GARG