

At last - A Genuinely Useful Business Glossary!

Finance & Business - Language for learners



## **Accounting terminology**

### **Balance Sheet**

A financial statement of all the debit and all the credit balances of a business  
(A place where OFF is more relevant than ON)

### **Profit & Loss Account**

A summary of all income set against all expenditure to reveal the difference as a profit for the period or as a loss  
(An accounting sleight of hand to deceive the unwary)

### **Cashflow Statement**

A depiction of cash-only transactions both received and paid out  
(A painful lesson in where the money went)

### **Interim Accounts**

A full set of accounts but for a six month period  
(Interim – Yes, half of the expected full year – No)

### **Final Accounts**

The published results of twelve months' business  
(Living proof that art supersedes science)

### **Debtors**

The value of goods or services supplied but not yet paid for  
(A representation of the great effort needed to collect your money)

### **Creditors**

The value of goods or services received but not yet paid for  
(The pips we intend to squeak)

### **Prepayments**

Amounts deducted from current expenditure as relating to a future period  
(A dodgy debit balance \* see Profit & Loss Account & Balance Sheet)

### **Accruals**

Amounts added to current expenditure to reflect known liabilities not yet appearing in the books  
(A dodgy credit balance \* see Profit & Loss Account & Balance Sheet)

### **Provisions**

Amounts added to current expenditure to reflect estimated liabilities not yet appearing in the books  
(A dodgy credit balance \* see Profit & Loss Account & Balance Sheet)

### **Income**

The receipts of a business  
(Success as viewed through rose-tinted spectacles)

### **Expenditure**

The costs of running a business  
(A sample representation of what we have been up to)

### **Sundries**

A summary appearing in the Profit & Loss account of items of expenditure each of which is too small to warrant a separate cost heading  
(The sweeping up of you'll never know what)

### **Petty cash**

A small fund kept to pay for incidental items of low value  
(Expenses the magnitude of which is directly proportional to our lack of internal control)

**Allowance**

A pre-agreed set figure to cover a recurring expense  
(A cost where employee frugality is assured to boost tax-free income)

**Double entry bookkeeping**

The long established core principle of accounting under which every debit has a corresponding and equal credit so ensuring a perfect balance  
(One of the oldest numerical sciences and specifically intended to baffle the layman)

**Budget**

A figurative expression of the expected income and expenditure of a business for a future period and to act as a control over actual results as they occur  
(A financial statement where the only certainty is that income is overstated and expenditure understated)

**Forecast**

A formal financial statement setting out what income and expense a business expects to have over a future time horizon, usually three to five years, and accompanied by the assumptions made to support each significant figure  
(Cloud cuckoo land)

**Pro-forma invoice**

A sales invoice sent to a prospective customer to facilitate their payment in advance of work actually starting  
(A piece of paper outside the formal accounting system and really, really dodgy)

**Consolidated accounts**

A full set of financial accounts that summarise the results of a holding company and all its subsidiaries and associates  
(The highest level of technical accounting bafflement)

**Plant and machinery**

A list of fixed assets shown at their original purchase cost less accumulated depreciation to date  
(A true picture of where the cash or credit went originally but artificially reduced by an arbitrary estimate of wastage due to time passing and massively more than will be realised if sold on the open market)

**Stock**

The original cost or realisable value or replacement price of materials purchased for the business but not yet turned into items sold  
(The area where a good financial director earns his keep in hard times)

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**Management techniques****SWOT analysis**

Identifying the strengths, weaknesses, opportunities and threats of a business  
(Trying to understand those that work hard)

**PESTLE analysis**

A radar picking up trends in the outside world including factors such as political, environmental, social, technological, legal and economic  
(Finding out which one made the best curry)

**Cost benefit analysis**

Setting off against the calculated cost of a project or venture the estimated value of the benefit to be derived once completed, to determine the net position  
Understanding that if cost estimates are likely to be 50% out, evaluating benefits is impossible

**Brainstorming**

Getting a group of people together to throw up ideas randomly on a given topic in order to find some unique proposal that would be lost individually through lack of stimulus  
(A stroke!)

**GANTT chart**

A list of stages of a project with the time to complete for each to determine whether they have to be done in sequence or at any specific time concurrently  
A biting two-winged insect displayed for the dyslectic

**Critical path**

Developed from a Gantt chart to show those tasks that must be done one after the other in a straight line as distinct from those that go off at a tangent  
(Striding edge as a precursor to the summit of Helvellyn)

**Stakeholder analysis**

The identification of anyone with an interest in or influence over a project  
(To determine whether a T-bone is bigger than a rib-eye)

**Lean manufacturing**

Focussing on what is valuable to the customer by analysing the entire business including materials and information flow to identify bottlenecks  
(The process of producing what Jack Spratt's wife couldn't eat)

**Pull systems**

Where all processes are driven by demand and not supply. Components are made just in time to meet delivery requirements  
(The core techniques of dentistry)

**Continuous improvement**

Developing a vision of the ideal that takes constant small steps to get there; nothing can be sub-standard  
(A physiological process that ceases in the late teens)

**Can-do approach**

A corporate attitude that always looks to the positive entrepreneurial aspect of a situation  
(Baked beans on toast for lunch)

**Mission statement**

Say who your company is, what you do, what you stand for and why you do it  
(What it says in big letters on the board outside that religious establishment)

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**Career language****Psychometric testing**

To uncover intellectual capacity and personal traits  
(Mental exercises to find the next Norman)

**Assessment centres**

A recruitment event where a group of candidates is invited together to interact whilst performing pre-set routines  
(A modern version of the loony bin)

**Curriculum vitae**

Literally "a record of life" summarising qualifications, skills and work experience  
(A verbose list of attributes that you hope they will be impressed by, and qualifications they will be too idle to check up on)

**Competencies**

Behaviours that must demonstrate inputs to a situation to achieve high levels of performance  
(Football, cars, chat-up lines, ..... fill in the blank space with any others)

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**Stock market and investment terminology****Stock Exchange main market**

All companies listed on the market (currently about 1,800) – except those on AIM – and grouped into 39 sectors describing the principal business of each  
(A large branch of Marks and Spencer during the first two weeks of January)

**AIM**

The alternative investment market of smaller (than the London main market) capitalised companies and currently amounting to some 1,650 in number  
(Looking through the sights of a clay-pigeon rifle whilst hoping to bag a real pigeon)

### **Gilt-edged security**

UK Government liability in sterling issued by HM Treasury and listed on the London Stock Exchange  
(Virgin pig)

### **Blue chip**

A company considered to be large, safe and prestigious  
(A point where the bluffing ceased)

### **Actuary**

A person employed by a pension provider and others to calculate factors such as life expectancy, accident rates and likely pay-outs by using complex mathematical formulas  
(A short-tongued adverb)

### **PE ratio**

A calculation of by how many times a share price is a multiple of the earnings of that share  
(The relationship between how many times one had to attend or could skive out of games at school)

### **PEG**

A calculation of by how many times a PE ratio is a multiple of the annual forecast growth of a share  
(What female gypsies used to sell at the door before the men turned to tarmac)

### **Actively managed funds**

Portfolios of shares or bonds run by fund managers who are expert at buying and selling shares to maximise performance  
(A term to stretch credibility any lunch time in the pubs and restaurants of the City)

### **AER**

A notional rate that is quoted on interest paid on savings and investments. It demonstrates what the return is if interest was compounded and paid annually  
(A west country yokel trying to speak)

### **Dividend yield**

The annual dividend of a share divided by the share price. The income return of the share  
(Beware : size is directly proportional to risk)

### **Annuity**

A type of insurance policy that provides a regular income in exchange for a lump sum  
(The real profit maker for insurance companies to which the Government turns a blind eye since MP's and public service sector workers are copper-bottom protected and out of the loop)

### **Equity %**

The level of shareholders' equity in a business represented by the book or market value of assets less debt  
(A measure of how poor 50% of UK householders really are)

### **APR**

The rate of interest that will be paid on money borrowed. There are several ways to calculate the annual % rate  
(A % standardised across all consumer purchases to bring home just how stupid you have been)

### **Gearing ratio**

An expression of how much a company owns of itself set against how much it borrows  
(The relationship between how often they are actually used and all 14 gears on your cycle)

### **Arbitrage**

The practice of taking advantage of price differences of shares or currencies in two different markets  
(A judge getting angry)

### **Net profit %**

Profit after tax as a % of turnover  
(A study in whether all the work and risk was worth it)

### **Asset stripping**

Taking over a company with the aim of selling off its assets to make a profit rather than developing the business  
(A Far-Eastern massage parlour)

### **Return on funds employed**

Net profit after tax as a % of total liabilities  
(Being called back to see the bank manager)

### **Average earnings growth**

An economic indicator of future inflation when higher earnings cause price rises if not matched by greater productivity  
(The classic 2008 contradiction of terms)

### **Return on equity**

Net profit after tax as a % of the investment from shareholders  
(What the average actor was paid last year)

### **Circulation of funds employed**

Total liabilities shown in the Balance Sheet divided into turnover to see how many times it revolves  
(Coinage)

### **FTSE (footsie) 100**

The index that monitors the movement in market value of the biggest 100 companies as listed on the London Stock Market  
(The number of pairs of shoes stowed in your wife's wardrobe)

### **FTSE 250**

The index that monitors the movement in market value of the biggest 250 companies below the top 100 as listed on the London Stock Market  
(See FTSE 100 as applicable to a farmer's wife)

### **FTSE 350**

The index that monitors the movement in market value of the biggest 350 companies below the top 100 as listed on the London Stock Market  
(See FTSE 100 as applicable to Marcos's wife)

### **Short selling**

The practice of selling borrowed shares in the hope of repurchasing them later at a lower price  
(Marks and Spencer or similar)

### **Bear market**

A stock market in which shares fell precipitously – typically 15-20%  
(A place where nudists show off)

### **Bull market**

A stock market where share prices roar ahead  
(A forum for those talking nonsense)

### **Bid-offer spread**

The difference between two prices of a financial instrument namely the buy price (offer) and the selling price (bid)  
(Haggling with a prostitute)

### **Stop loss**

An investment technique whereby at a predetermined % decline in value a share is sold  
(A term used in F1 racing for when the brakes fail)

### **Rights issue**

A way to raise money from existing shareholders in proportion to their present holding  
(Ethnic cleansing)

### **Value investing**

Looking for undervalued companies relative to present profits and cashflow  
(Going to the post and increasingly pre Christmas sales)

### **Momentum investing**

Investing in companies improving at a faster rate than the market as a whole  
(Sometimes known as the herd instinct : see also "Bull market")

**Growth investing**

A belief that a company has an exceptional future opportunity as distinct from the present position  
(Getting fat – misguided but pleasant for a time)

**Income investing**

Placing ones capital where it will produce the highest return in terms of dividends  
(A practice currently thought of as irrelevant in favour of hedonism)

**Bottom fishing**

Buying the cheapest shares in terms of valuation ratios  
(Trawling for flounders)

**Contrarian investing**

Selling shares in vogue and buying shares that are out of favour : going against current views  
(Taking the advice of an Independent Financial Advisor and then doing the opposite)

**ISA**

An individual savings account allows cash or shares to be saved tax free  
(A gadget often found on the inside of an American freezer)

**Contracted out pension scheme**

A pension scheme that contracts its members out of the state's second pension  
(A mental process adopted by most people under the age of 45)

**Defined benefit pension scheme**

An employer defined benefit scheme is the traditional company scheme in which pension benefits are accrued by length of service  
(Applies to most public sector workers, MP's and certain others who collectively have not be too pressed during their working life and are fully protected by the tax you pay)

**Defined contribution pension scheme**

A money purchase scheme that provides a pension income linked to the fund value and dependent upon contributions and investment return  
(If you are a wealth creator or similar, then it applies to you)

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**Financial and taxation terminology****Hedge fund**

A privately owned company investing in anything that is thought capable of making money and including "short selling" shares that it is believed will perform badly  
(Petty cash to pay the gardener)

**Private equity**

Medium to long-term finance provided in return for an equity stake in potentially high growth unquoted companies  
(The profit to date in financing your mistress's home)

**Bankers draft**

A cheque drawn from a bank or building society against real cash  
(Calling in the overdraft or reducing the facility)

**Base rate**

The UK's base rate of interest set each month by the Bank of England's monetary policy committee  
(Walking in the marathon)

**Bond**

An agreement under which a sum is borrowed from an investor at a stipulated rate of return and repaid after an agreed period  
(A short-form name for Ian Fleming's hero)

**Bridging loan**

A type of loan taken out when moving house to provide finance to purchase before a sale is complete

(A practice fraught with difficulties if getting to the other side is very important)

### **Management buy-out**

A process whereby the existing management of a business buy sufficient of its shares to themselves become the owner

(Sometimes known as subcontracting)

### **Buy-to-let mortgage**

A mortgage designed specifically for landlords looking to buy property to let to tenants

(A historical way to make money and a current way to lose it)

### **Capital gains tax**

A top rate tax levied on a gain made on an item of capital investment once it exceeds a given allowance

(A tax paid only by the ill-advised, unwary or downright stupid)

### **Corporation tax**

Tax paid at a pre-determined rate by companies on earnings after all allowable costs have been deducted

(What used to be called the London Congestion Charge and is now something to do with nasty emissions)

### **Income tax**

The tax levied on the earnings of individuals after certain allowances have been deducted and paid at different rates dependent on magnitude

(A levy the authority over which should never be left in the hands of a Labour government)

### **Tax-free income**

The element of an individual's earnings sheltered from tax by a personal allowance that changes each fiscal year

(Approximately 50% of what a self-employed tradesman actually receives from his customers)

### **Inheritance tax**

A tax on the estate worth of a deceased person after an allowance has been deducted

(A life-long comfort for the rich in the assured knowledge that it will be avoided to pamper more the pampered offspring)

### **VAT**

A tax on the final consumption of certain goods and services

(A container for liquids, preferably wine)

### **Tax credits**

Child tax credit is paid directly to a person who is mainly responsible for caring for a child. Working tax credit is for the employed or the self-employed. Income qualifications apply

(No point in researching this credit, you do not qualify)

### **National Insurance**

A national levy on individual income at a pre-determined % to fund the NHS

(Another name for supplementary income tax)

### **Child benefit**

A monthly tax free payment made to anyone bringing up a child or young person

(A term to defy accurate and enduring definition)

### **Executor**

A person appointed in a will to administer the estate after a death

(An electric chair)

### **National minimum wage**

With a few exceptions, all workers in the UK aged 16 or over are legally entitled to be paid a minimum amount per hour

(May not apply to immigrants from Eastern Europe under the control of agricultural or maritime gangmasters)

### **Probate**

The court's authority given to a person to administer a deceased person's estate

(Those in favour of starting arguments)

### **Self assessment**

A tax system applicable to those earners not subject to PAYE and who must account for their income themselves by

completing a specific return  
(Probably the most painful exercise known to man)