



SADHANA EDUCATION SOCIETY

**L. S. RAHEJA COLLEGE OF ARTS &
COMMERCE**

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GLOSSARY

COMMERCE & MANAGEMENT

ACCOUNTANCY & FINANCE

MEDIA & COMMUNICATION

INFORMATION TECHNOLOGY

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L. S. Raheja College of Arts and Commerce
SFC Department's
Accounts and Finance Glossary

Alphabet	Term	Meaning
A	Abatement	Complete removal of an amount due, (usually referring to a tax ABATEMENT a penalty abatement or an INTEREST abatement within a governing agency).
A	Absorption Costing	An approach to product costing that assigns a representative portion of all types of manufacturing costs--direct materials, direct labor, variable factory overhead, and fixed factory overhead--to individual products.
A	Accelerated Depreciation	Method that records greater DEPRECIATION than STRAIGHT-LINE DEPRECIATION in the early years and less depreciation than straight-line in the later years of an ASSET'S HOLDING PERIOD.
A	Account	Formal record that represents, in words, money or other unit of measurement, certain resources, claims to such resources, transactions or other events that result in changes to those resources and claims.
A	Account Payable	Amount owed to a CREDITOR for delivered goods or completed services.
A	Account Receivable	Claim against a DEBTOR for an uncollected amount, generally from a completed transaction of sales or services rendered.
A	Accounting	Recording and reporting of financial transactions, including the origination of the transaction, its recognition, processing, and summarization in the FINANCIAL STATEMENTS.
A	Accounting Change	Change in (1) an accounting principle; (2) an accounting estimate; or (3) the reporting entity that necessitates DISCLOSURE and explanation in published financial reports.
A	Accounting Cycle	The sequence of steps followed in the accounting process to measure business transactions and transform the measurements into FINANCIAL STATEMENTS for a specific period.
A	Accrual	The recognition of an expense or revenue that has occurred but has not yet been recorded.
A	Accrual Accounting	The attempt to record the financial effects of transactions and other events in the periods in which those transactions or events occur rather than only in the periods in which cash is received or paid by the business, using all the techniques developed by accountants to apply the MATCHING PRINCIPLE.
A	Accrual Basis	Method of ACCOUNTING that recognizes REVENUE when earned, rather than when collected. Expenses are recognized when incurred rather than when paid.
A	Accrued Expense	An expense that has occurred but is not recognized in the accounts.
A	Accrued Interest	INTEREST that has accumulated between the most recent payment and the sale of a BOND or other fixed-income security.
A	Accumulated Depreciation	Total DEPRECIATION pertaining to an ASSET or group of assets from the time the assets were placed in services until the date of the FINANCIAL STATEMENT or tax return. This total is the CONTRA ACCOUNT to the related asset account.
A	Accumulation	Profits that are not paid out as DIVIDENDS but are instead added to the company's capital base.
A	Acid-Test Ratio	The relationship of a company's current assets that can be converted into cash to its current liabilities. It is determined by dividing QUICK ASSETS by current liabilities.
A	Acquisition	One company taking over controlling interest in another company.
A	Amortization	Gradual and periodic reduction of any amount, such as the periodic write-down of a BOND premium, the cost of an intangible ASSET or periodic payment Of MORTGAGES or other DEBT.

A	Analytical Procedures	Substantive tests of financial information which examine relationships among data as a means of obtaining evidence. Such procedures include: (1) comparison of financial information with information of comparable prior periods; (2) comparison of financial information with anticipated results (e.g., forecasts); (3) study of relationships between elements of financial information that should conform to predictable patterns based on the entity's experience; (4) comparison of financial information with industry norms.
A	Annual Report	Report to the stockholders of a company which includes the company's annual, audited BALANCE SHEET and related statements of earnings, stockholders' or owners' equity and cash flows, as well as other financial and business information.
A	Annuity	Series of payments, usually payable at specified time intervals.
A	Appreciation	Increase in the value of an ASSET such as a stock, BOND, commodity, or real estate.
A	Asset	An economic resource that is expected to be of benefit in the future. Probable future economic benefits obtained as a result of past transactions or events. Anything of value to which the firm has a legal claim. Any owned tangible or intangible object having economic value useful to the owner.
A	Audit	A professional examination of a company's financial statement by a professional accountant or group to determine that the statement has been presented fairly and prepared using GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP).
A	Audit Documentation	The written record of the basis for the AUDITOR's conclusions that provides the support for the auditor's representations, whether those representations are contained in the auditor's report or otherwise. (May be referred to as work papers or working papers).
A	Audit Engagement	Agreement between a CPA firm and its client to perform an AUDIT.
A	Audit Risk	The risk that the AUDITOR may unknowingly fail to modify appropriately his or her opinion on financial statements that are materially misstated.
A	Audit Sampling	Application of an AUDIT procedure to less than 100% of the items within an account BALANCE or class of transactions for the purpose of evaluating some characteristic of the balance or class.
A	Auditing Standards	Guidelines to which an AUDITOR adheres. Auditing standards encompass the auditor's professional qualities, as well as his or her judgment in performing an AUDIT and in preparing the AUDITORS' REPORT. Audits conducted by independent CERTIFIED PUBLIC ACCOUNTANT (CPA) usually in accordance with GENERALLY ACCEPTED AUDITING STANDARDS (GAAS), which consist of standards approved and adopted by the membership of the AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS (AICPA).
A	Auditor	Person who AUDITS financial accounts and records kept by others. Includes both public accounting firms registered with the PCAOB and associated persons thereof.
A	Auditors' Report	Written communication issued by an independent CERTIFIED PUBLIC ACCOUNTANT (CPA) describing the character of his or her work and the degree of responsibility taken. An auditors' report includes a statement that the AUDIT was conducted in accordance with GENERALLY ACCEPTED AUDITING STANDARDS (GAAS), which require that the AUDITOR plan and perform the audit to obtain reasonable assurance about whether the FINANCIAL STATEMENTS are free of material misstatement, as well as a statement that the auditor believes the audit provides a reasonable basis for his or her opinion.
A	Authorized Shares	Maximum number of shares of any class a company may legally create under the terms of its articles of incorporation.
B	Bad Debt	All or portion of an ACCOUNT, loan, or note receivable considered to be uncollectible.

B	Balance	Basic FINANCIAL STATEMENT, usually accompanied by appropriate DISCLOSURES that describe the basis of ACCOUNTING used in its preparation and presentation of a specified date the entity's ASSETS, LIABILITIES and the EQUITY of its owners. Also known as a STATEMENT OF FINANCIAL CONDITION.
B	Bank Reconciliation	A process by which an accountant determines whether and why there is a difference between the balance shown on the bank statement and the balance of the cash account in the firm's GENERAL LEDGER.
B	Bank Statement	A periodic statement, usually monthly, that a bank sends to the holder of a checking account showing the balance in the account at the beginning of the month, during, and at the end of the month.
B	Bankruptcy	Legal process, governed by federal statute, whereby the DEBTS of an insolvent person are liquidated after being satisfied to the greatest extent possible by the DEBTOR'S ASSETS. During bankruptcy, the debtor's assets are held and managed by a court appointed TRUSTEE.
B	Board of Directors	Individuals responsible for overseeing the affairs of an entity, including the election of its officers. The board of a CORPORATION that issues stock is elected by stockholders.
B	Book Value	Amount, net or CONTRA ACCOUNT balances, that an ASSET or LIABILITY shows on the BALANCE SHEET of accompany. Also known as CARRYING VALUE.
B	Bookkeeping	The process of recording financial transactions and keeping financial records.
B	Break-Even Point	The point at which TOTAL REVENUES equals TOTAL COSTS.
B	Break-Even Units	The number of units of a product that must be sold before a company makes enough money to pay for direct and indirect costs of making the product.
B	Budget	Financial plan that serves as an estimate of future cost, REVENUES or both.
C	Capital Expenditure	Outlay of money to acquire or improve capital assets such as buildings and machinery.
C	Capital Gain	Portion of the total GAIN recognized on the sale or exchange of a noninventory asset which is not taxed as ORDINARY INCOME. Capital gains have historically been taxed at a lower rate than ordinary income.
C	Capitalize	Convert a schedule of INCOME into a principal amount, called capitalized value, by dividing by a rate of INTEREST.
C	Capitalized Cost	Expenditure identified with goods or services acquired and measured by the amount of cash paid or the market value of other property, CAPITAL STOCK, or services surrendered. Expenditures that are written off during two or more accounting periods.
C	Cash	ASSET account on a balance sheet representing paper currency and coins, negotiable money orders and checks, bank balances, and certain short-term government securities.
C	Cash Basis	Method of bookkeeping by which REVENUES and EXPENDITURES are recorded when they are received and paid.
C	Cash Equivalents	Short-term (generally less than three months), highly liquid INVESTMENTS that are convertible to known amounts of cash.
C	Cash Flows	Net of cash receipts and cash disbursements relating to a particular activity during a specified accounting period.
C	Commission	Percentage of the selling price of the property, paid by the seller.
C	Conservatism	An investment strategy aimed at long-term capital appreciation with low risk; moderate; cautious; opposite of aggressive behavior; show possible losses but wait for actual profits. Concept which directs the least favorable effect on net income.

C	Consistency	ACCOUNTING postulate which stipulates that, except as otherwise noted in the FINANCIAL STATEMENT, the same accounting policies and procedures have been followed from period to period by an organization in the preparation and presentation of its financial statements.
C	Consolidated Financial Statements	Combined FINANCIAL STATEMENTS of a parent company and one or more of its subsidiaries as one economic unit
C	Contingency	An event that might happen but that is not likely or planned.
C	Contingent Liability	Potential LIABILITY arising from a past transaction or a subsequent event.
C	Cost Accounting	Procedures used for rationally classifying, recording, and allocating current or predicted costs that relate to a certain product or production process.
C	Cost of Capital	Rate of return that a business could earn if it chose another investment with equivalent risk.
C	Cost of Goods Sold	Figure representing the cost of buying raw materials and producing finished goods.
C	Credit Balance	BALANCE remaining after one of a series of bookkeeping entries. This amount represents a LIABILITY or income to the entity.
C	Credit	Entry on the right side of a DOUBLE-ENTRY BOOKKEEPING system that represents the reduction of an ASSET or expense or the addition to a LIABILITY or REVENUE.
C	Creditor	Party that loans money or other ASSETS to another party.
C	Current Asset	ASSET that one can reasonably expect to convert into cash, sell, or consume in operations within a single operating cycle, or within a year if more than one cycle is completed each year.
C	Current Liability	Obligation whose LIQUIDATION is expected to require the use of existing resources classified as CURRENT ASSETS, or the creation of other current liabilities.
C	Current Ratio	Used as an indicator of a COMPANY's liquidity and ability to pay short-term debts. This is found by dividing CURRENT ASSETS by CURRENT LIABILITIES.
D	Debenture	General DEBT obligation backed only by the integrity of the borrower and documented by an agreement called an INDENTURE.
D	Debit Balance	BALANCE remaining after one or a series of bookkeeping entries. This amount represents an ASSET or an expense of the entity.
D	Debit	Entry on the left side of a DOUBLE-ENTRY BOOKKEEPING system that represents the addition of an ASSET or expense or the reduction to a LIABILITY or REVENUE.
D	Debt Instrument	Written promise to repay a DEBT.
D	Debt	General name for money, notes, BONDS, goods or services which represent amounts owed.
D	Debtor	Party owing money or other ASSETS to a CREDITOR.
D	Debt-to-Equity Ratio	A way of measuring the relationship of DEBT financing to EQUITY FINANCING, or the extent to which a company is leveraged.
D	Depreciation	Expense allowance made for wear and tear on an ASSET over its estimated useful life.
D	Derivatives	Financial instruments whose value varies with the value of an underlying asset (such as a stock, BOND, commodity or currency) or index such as interest rates. Financial instruments whose characteristics and value depend on the characterization of an underlying instrument or asset.
D	Detection Risk	Risk that the AUDITOR will not detect a material misstatement.
D	Detective Controls	These have the objective of detecting errors or fraud that have already occurred that could result in a misstatement of the financial statements.
D	Direct Labor Costs	The labor cost is for specific work that can be easily and economically traced to an end product.
D	Direct Material	A material that will become part of a finished product and can be easily and economically traced to specific product units.

D	Direct Overhead	Portion of OVERHEAD costs allocated to manufacturing, by the application of a standard factor termed a BURDEN RATE or OVERHEAD APPLICATION RATE.
D	Disbursement	Payment by cash or check.
D	Disclaimer of Opinion	Statement by an AUDITOR indicating inability to express an opinion on the fairness of the FINANCIAL STATEMENTS provided and the reason for the inability. The auditor is required to disclaim depending on the limitation in scope.
D	Disclosure	Process of divulging accounting information so that the content of FINANCIAL STATEMENTS is understood.
D	Discontinued Operations	Portion of a business that is planned to be or is discontinued.
D	Discount	Reduction from the full amount of a price or DEBT.
D	Dividend Payout Ratio	Percentage of earnings paid to shareholders in CASH.
D	Dividends	Distribution of earnings to owners of a CORPORATION in CASH, other ASSETS of the corporation, or the corporation's CAPITAL STOCK.
D	Dividends in Arrears	DIVIDENDS on cumulative PREFERRED STOCK that remain unpaid in the year they are due.
D	Dividends Payable	A LIABILITY for payment of a COMPANY's earnings to its shareholders.
D	Dividends Yield	Used to measure the current return to an investor in a stock.
D	Double-Entry Bookkeeping	Method of recording financial transactions in which each transaction is entered in two or more accounts and involves two-way, self-balancing posting. Total DEBITS must equal total CREDITS.
E	Earnings Per Share (EPS)	Measure of performance calculated by dividing the net earnings of a company by the average number of shares outstanding during a period.
E	Earnings Price Ratio	Relationship of EARNINGS PER SHARE (EPS) to current stock price.
E	Equity Securities	CAPITAL STOCK and other SECURITIES that represent ownership shares, or the legal rights to purchase or acquire CAPITAL STOCK.
E	Equity	Residual INTEREST in the ASSETS of an entity that remains after deducting its LIABILITIES. Also, the amount of a business' total assets less total liabilities. Also, the third section of a BALANCE SHEET, the other two being assets and liabilities.
E	Expense	Something spent on a specific item or for a particular purpose.
E	Extraordinary Items	Events and transactions distinguished by their unusual nature and by the infrequency of their occurrence. Extraordinary items are reported separately, less applicable income taxes, in the entity's statement of income or operations.
F	Face Value	Amount due at maturity from a BOND or note.
F	Fair Market Value	Price at which property would change hands between a buyer and a seller without any compulsion to buy or sell, and both having reasonable knowledge of the relevant facts.
F	Favorable Variance	Excess of actual REVENUE over projected revenue, or actual costs over projected costs.
F	FIFO	ACCOUNTING method of valuing INVENTORY under which the costs of the first goods acquired are the first costs charged to expense. Commonly known as FIFO.
F	Financial Institution	Organization engaged in any of the many aspects of finance including commercial banks, thrift institutions, investment banks, securities brokers and dealers, credit unions, investment companies, insurance companies, and REAL ESTATE INVESTMENT TRUSTS.
F	Financial Leverage	The ability to increase earnings for stockholders by earning more on ASSETS than is paid in INTEREST on DEBT incurred to finance the assets.

F	Financial Statements	Presentation of financial data including BALANCE SHEETS, INCOME STATEMENTS and STATEMENTS OF CASH FLOW, or any supporting statement that is intended to communicate an entity's financial position at a point in time and its results of operations for a period then ended.
F	Finished Goods	The products that have been made and are ready for sale.
F	Fiscal Year	Period of 12 consecutive months chosen by an entity as its ACCOUNTING period which may or may not be a calendar year.
F	Fixed Assets	Tangible LONG TERM ASSETS used in the continuing operation of a business that are unlikely to change for a long time.
F	Fixed Costs	Costs that remain constant within a defined range of activity, volume, or time period.
F	Fraud	Willful misrepresentation by one person of a fact inflicting damage on another person.
F	Future Value	The amount that an investment will be worth at a future date if it is invested at compound interest.
G	Gain	Excess of REVENUES received over costs relating to a specific transaction.
G	Generally Accepted Accounting Principles (GAAP)	Conventions, rules, and procedures necessary to define accepted accounting practice at a particular time. The highest level of such principles are set by the FINANCIAL ACCOUNTING STANDARDS BOARD (FASB).
G	Generally Accepted Auditing Standards (GAAS)	Standards set by the AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS (AICPA) which concern the AUDITOR'S professional qualities and judgment in the performance of his or her AUDIT and in the actual report.
G	Gift	A valid transfer of property from one taxpayer to another without consideration or compensation. A gift may be subject to the unified estate and gift transfer tax.
G	Going Concern	Assumption that a business can remain in operation long enough for all of its current plans to be carried out.
G	Goodwill	Premium paid in the acquisition of an entity over the fair value of its identifiable tangible and intangible ASSETS less LIABILITIES assumed.
G	Guaranty	Legal arrangement involving a promise by one person to perform the obligations of a second person to a third person, in the event the second person fails to perform.
H	Historical Cost	Original cost of an asset to an entity.
I	Income	Inflow of REVENUE during a period of time.
I	Income from Operation	Gross margin with operating expenses subtracted.
I	Income Statement	Summary of the effect of REVENUES and expenses over a period of time.
I	Incorporation	Process by which a COMPANY receives a state charter allowing it to operate as a CORPORATION.
I	Index	Statistical composite that measures changes in the economy or in financial markets, often expressed in percentage changes from a base year or from the previous month.
I	Indirect Cost	Any cost that cannot be conveniently and economically traced to a specific department; a manufacturing cost that is not easily traced to a specific product and must be assigned using an allocation method.
I	Indirect Labor Costs	Labor costs for production-related activities that cannot be connected with or conveniently and economically traced to a specific end product.
I	Indirect Manufacturing Costs	Various production-related costs that cannot be practically or conveniently traced to an end product.
I	Indirect Materials	Minor materials and other production supplies that cannot be conveniently and economically traced to specific products.
I	Insolvency	Inability to pay DEBTS when due.
I	Insolvent	When an entity's LIABILITIES exceed its ASSETS.
I	Intangible Asset	Asset having no physical existence such as trademarks and patents.

I	Interest Coverage Ratio	A way of measuring the degree of protection that a CREDITOR has from a DEBTOR's DEFAULT on interest payments.
I	Interest Rate	An amount of money charged for borrowing money or paid for the use of somebody else's money.
I	Interest	Payment for the use or forbearance of money.
I	Interim Dividend	DIVIDEND declared and paid before annual earnings have been determined, generally quarterly.
I	Interim Financial Statements	FINANCIAL STATEMENTS that report the operations of an entity for less than one year.
I	Internal Audit	AUDIT performed within an entity by its staff rather than an independent certified public accountant.
I	Internal Control	Process designed to provide reasonable assurance regarding achievement of various management objectives such as the reliability of financial reports.
I	Intrinsic Value	Valuation determined by applying data inputs to a valuation theory or model.
I	Inventory	Tangible property held for sale, or materials used in a production process to make a product.
I	Investment	EXPENDITURE used to purchase goods or services that could produce a return to the investor.
I	Invoice	Bill prepared by a seller of goods or services and submitted to the purchaser.
J	Job Order	A customer order for a specific number of specially designed, made-to-order products.
J	Joint Venture	When two or more persons or organizations gather CAPITAL to provide a product or service. Often carried out as a PARTNERSHIP.
J	Journal Entry	A notation in the GENERAL JOURNAL. It records a single transaction.
J	Journal	Any book containing original entries of daily financial transactions.
J	Just-In-Time	An overall operating philosophy of INVENTORY management in which all resources, including materials, personnel, and facilities, are used only as needed.
K	Key Industry	Industry of primary importance to a nation's economy.
K	Key Person Insurance	Business-owned life insurance contract typically on the lives of principal officers that normally provides for guaranteed death benefits to the company and the accumulation of a cash surrender value.
L	Labor	Physical or mental effort; work.
L	Land	Property; real estate.
L	Last In, First Out (LIFO)	ACCOUNTING method of valuing inventory under which the costs of the last goods acquired are the first costs charged to expense. Commonly known as LIFO.
L	Lease	Conveyance of land, buildings, equipment or other ASSETS from one person (LESSOR) to another (LESSEE) for a specific period of time for monetary or other consideration, usually in the form of rent.
L	Leasehold	Property INTEREST a LESSEE owns in the leased property.
L	Ledger Account	A complete record of the transactions recorded in each individual account.
L	Ledger	Any book of accounts containing the summaries of debit and credit entries.
L	Lender	Individual or firm that extends money to a borrower with the expectation of being repaid, usually with INTEREST.
L	Lessee	Person or entity that has the right to use property under the terms of a LEASE.
L	Lessor	Owner of property, the temporary use of which is transferred to another (LESSEE) under the terms of a LEASE.
L	Letter of Credit	Conditional bank commitment issued on behalf of a customer to pay a third party in accordance with certain terms and conditions. The two primary types are commercial letters of credit and standby letters of credit.

L	Leverage	The use of borrowed funds to increase the profit from an investment.
L	Liability	DEBTS or OBLIGATIONS owed by one entity (DEBTOR) to another entity (CREDITOR) payable in money, goods, or services.
L	Liquid Assets	Cash, cash equivalents, and marketable SECURITIES.
L	Liquidation	Winding up an activity by distributing its ASSETS to the appropriate parties and settling its DEBTS.
L	Liquidity	Available money on hand to pay bills when they are due and to take care of unexpected needs for CASH.
L	Liquidity Ratio	Measure of a firm's ability to meet maturing SHORT-TERM OBLIGATIONS.
L	Loan	Transaction wherein an owner of property, called the LENDER allows another party, the borrower, to use the property.
L	Long-Term Asset	An ASSET that has the following characteristics: (1) it has a useful life of more than one year; (2) it is acquired for use in the operation of a business; and (3) it is not intended for resale to customers.
L	Long-Term Debt	DEBT with a maturity of more than one year from the current date.
L	Loss	Excess of EXPENDITURES over REVENUE for a period or activity. Also, for tax purposes, an excess of basis over the amount realized in a transaction.
M	Management	Combined fields of policy and administration and the people who provide the decisions and supervision necessary to implement the owner's business objectives and achieve stability and growth.
M	Management Accounting	Reporting designed to assist management in decision-making, planning, and control. Also known as MANAGERIAL ACCOUNTING.
M	Manufacture	To make or process (a product), especially by using machines.
M	Manufacturing Overhead	Another term for FACTORY OVERHEAD COSTS.
M	Margin of Profit	Relationship of gross profits to net sales.
M	Margin	Excess of selling price over the unit cost.
M	Marginal Cost	Increase or decrease in the TOTAL COSTS of a business firm as the result of one more or one less unit of output.
M	Material	The substance or substances from which something is made.
M	Materiality	Magnitude of an omission or misstatements of ACCOUNTING information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would change or be influenced.
M	Merger	BUSINESS COMBINATION that occurs when one entity directly acquires the ASSETS and LIABILITIES of one or more entities and no new corporation or entity is created.
M	Mutual Fund	Investment company which generally offers its shares to the general public and invests the proceeds in a diversified portfolio of SECURITIES.
N	Negotiable	Something that can be sold or transferred to another party in exchange for money or as settlement of an obligation.
N	Net	Figure remaining after all relevant deductions have been made from the gross amount.
N	Net Asset Value (NAV)	In mutual funds, the MARKET VALUE of a fund share, synonymous with bid price; BOOK VALUE of a company's different classes of securities, usually stated as NET ASSET value per BOND, net asset value per share of PREFERRED STOCK, and net book value per common share of COMMON STOCK.
N	Net Assets	Excess of the value of SECURITIES owned, cash, receivables, and other ASSETS over the LIABILITIES of the company.
N	Net Current Assets	Difference between current assets and current liabilities; another name for WORKING CAPITAL.
N	Net Worth	Similar to EQUITY, the excess of ASSETS over LIABILITIES.
O	Obsolescence	The process of becoming out-of-date.
O	Offer	Price at which someone who owns a SECURITY offers to sell it.

O	Operating Cycle	Period of time between the acquisition of goods and services involved in the manufacturing process and the final cash realization resulting from sales and subsequent collections.
O	Operating Expense	An EXPENSE other than COST OF GOODS SOLD that is incurred in running a business.
O	Operating Lease	Type of LEASE, normally involving equipment, whereby the CONTRACT is written for considerably less than the life of the equipment and the lesser handles all maintenance and servicing.
O	Operating Profit (or Loss)	The difference between the REVENUES of a business and the related costs and expenses, excluding INCOME derived from a sources other than its regular activities and before income deductions.
O	Organization	The act of arranging something in an orderly way.
O	Organization Expenditures	The costs of organizing a trade or business or for profit activity before it begins active business. A taxpayer may elect to amortize such expenses for a term no less than 60 months. If the election is not made then the expenses are not deductible and may only be recovered when the business ceases operation or is sold.
O	Original Cost	In ACCOUNTING, all costs associated with the acquisition of an ASSET.
O	Output	An amount of something produced, especially during a given period of time.
O	Outstanding	Not settled or paid.
O	Overhead	Costs of a business that are not directly associated with the production or sale of goods or services.
O	Owner's Equity	The residual INTEREST in the assets of a business entity that remains after deducting the entity's liabilities.
P	Paid in Capital	Portion of the stockholders' EQUITY which was paid in by the stockholders, as opposed to CAPITAL arising from profitable operations.
P	Par	Equal to the nominal or face value of a SECURITY.
P	Par Value	Amount per share set in the ARTICLES OF INCORPORATION of a CORPORATION to be entered in the CAPITAL STOCKS account where it is left permanently and signifies a cushion of EQUITY capital for the protection of CREDITORS.
P	Parent Company	Company that has a controlling interest in the COMMON STOCK of another.
P	Partnership	Relationship between two or more persons based on a written, oral, or implied agreement whereby they agree to carry on a trade or business for profit and share the resulting profits. Unlike a CORPORATION'S shareholders, the partnership's general partners are liable for the DEBTS of the partnership.
P	Payback Period	In capital budgeting; the length of time needed to recoup the cost of capital investment.
P	Pension	Retirement plan offered by an employer for the benefit of an employee, usually at retirement, through a TRUSTEE who controls the plan ASSETS.
P	Petty Cash	A small amount of CASH that a company keeps on hand to pay for minor expenses in an office.
P	Plant	A building or group of buildings where something is made or processed; factory.
P	Pledged	ASSET placed in a TRUST and used as COLLATERAL for a DEBT.
P	Pooling of Interest	Used to account for the acquisition of another company when the acquiring company exchanges its voting COMMON STOCK for the voting common stock of the acquired company when certain criteria are met.
P	Portfolio	Combined holding of more than one stock, BOND, commodity, real estate investment, cash equivalent, or other ASSET by an individual or institutional investor
P	Preferred Stock	Type of CAPITAL STOCK that carries certain preferences over COMMON STOCK, such as a prior claim on DIVIDENDS and ASSETS.

P	Premium	(1) Excess amount paid for a BOND over its face amount. (2) In insurance, the cost of specified coverage for a designated period of time.
P	Prepaid Expense	Cost incurred to acquire economically useful goods or services that are expected to be consumed in the revenue-earning process within the operating cycle.
P	Present Value	CURRENT VALUE of a given future CASH flow stream, discounted at a given rate.
P	Preventive Controls	These have the objective of preventing errors or fraud from occurring in the first place that could result in a misstatement of the financial statements.
P	Price/Earnings (P/E) Ratio	A ratio that is used as a way of measuring investor confidence in a COMPANY and comparing stocks for profitability. It is found by dividing MARKET PRICE per share by EARNINGS PER SHARE (EPS).
P	Pro Rata	Distribution of an expense, fund, or DIVIDEND proportionate with ownership.
P	Production	The act or process of creating something.
P	Profit	Positive difference that results from selling products and services for more than the cost of producing these goods.
P	Profit Margin	Used to measure the percentage of each sales dollar that results in NET INCOME.
P	Profitability	The ability to earn enough INCOME to attract and hold INVESTMENT capital.
P	Projection	Prospective FINANCIAL STATEMENTS that include one or more hypothetical assumptions.
P	Promissory Note	Evidence of a DEBT with specific amount due and interest rate. The note may specify a maturity date or it may be payable on demand. The promissory note may or may not accompany other instruments such as a MORTGAGE providing security for the payment thereof.
P	Property, Plant, and Equipment	Long-term tangible assets used in the continuing operation of a business for a long time.
P	Proprietorship	Business owned by an individual without the limited liability protection of a CORPORATION or a LIMITED LIABILITY COMPANY (LLC). Also known as SOLE PROPRIETORSHIP.
P	Prospectus	Major part of the registration statement filed with the SECURITIES AND EXCHANGE COMMISSION (SEC) for PUBLIC OFFERINGS. A prospectus generally describes SECURITIES or partnership interests to be issued and sold.
P	Purchase Method of Accounting	ACCOUNTING for a MERGER by adding the acquired company's ASSETS at the price paid for them to the acquiring company's assets.
P	Purchase Order	Written authorization to a vendor to deliver specified goods or services at a stipulated price.
P	Purchases Discounts	Discounts taken by merchants in return for prompt payment for MERCHANDISE purchased for resale.
P	Purchases Returns and Allowances	A CONTRA ACCOUNT used under the PERIODIC INVENTORY SYSTEM to accumulate CASH refunds, credits on ACCOUNT, and other allowances made by suppliers for unsatisfactory or incorrect MERCHANDISE that was originally purchased for resale.
P	Purchases	A temporary ACCOUNT used under the PERIODIC INVENTORY SYSTEM to record the TOTAL COST of all MERCHANDISE purchased for resale during an accounting period.
Q	Qualified Opinion	AUDIT opinion that states, except for the effect of a matter to which a qualification relates, the FINANCIAL STATEMENTS are fairly presented in accordance with GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP). The AUDITOR is required to qualify when there is a scope limitation.
Q	Qualitative Analysis	Analysis that evaluates important factors that cannot be precisely measured.

Q	Quality	An operating environment in which a company's product or service meets a customer's specifications the first time it is produced or delivered.
Q	Quantitative Analysis	Analysis dealing with measurable factors as distinguished from such QUALITATIVE considerations as the character of management or the state of employee morale.
Q	Quantity	An amount or number.
Q	Quarter	Three-month intervals of the year.
Q	Quarterly Reports	Another term for INTERIM FINANCIAL STATEMENTS.
Q	Quick Assets	Assets that are or are expected to be converted into CASH in the near term: cash, accounts receivable, SHORT-TERM INVESTMENTS.
Q	Quick Ratio	The relationship of a company's QUICK ASSETS to its current liabilities.
R	Rate of Return	The amount of PROFIT or INTEREST earned on an INVESTMENT, usually expressed as a percentage, such as an interest; the COST OF CAPITAL; the cost of money.
R	Ratio Analysis	Comparison of actual or projected data for a particular company to other data for that company or industry in order to analyze trends or relationships.
R	Raw Material	Something in its natural state that will be used in a manufacturing process.
R	Realization	Conversion into CASH, as happens in the sale of asset.
R	Realized Profit (or Loss)	PROFIT or LOSS resulting from the sale or other disposal of a SECURITY.
R	Reasonable Assurance	Management's assessment of the effectiveness of internal control over financial reporting is expressed at the level of reasonable assurance. It includes the understanding that there is a remote likelihood that material misstatements will not be prevented or detected on a timely basis. It is a <u>high level of assurance</u> .
R	Rebate	In lending, UNEARNED INTEREST refunded to a borrower if the LOAN is paid off before MATURITY.
R	Recapitalization	An internal reorganization of a corporation including a rearrangement of the capital structure by changing the kind of stock or the number of shares outstanding or issuing stock instead of bonds. It is distinguished from most other types of reorganization because it involves only one corporation and is usually accomplished by the surrender by shareholders of their securities for other stock or securities of a different type.
R	Receivables	Amounts of money due from customers or other DEBTORS.
R	Reconcile	To resolve.
R	Reconciliation	Comparison of two numbers to demonstrate the basis for the difference between them.
R	Redemption Value	Price to be paid by an ENTITY to retire its BONDS or PREFERRED STOCK.
R	Reinsurance	Process by which an insurance company obtains insurance on its insurance claims with other insurers in order to spread the risk.
R	Related Party Transaction	Business or other transaction between persons who do not have an arm's-length relationship (e.g., a relationship with independent, competing interests). The most common is between family members or controlled entities. For tax purposes, these types of transactions are generally subject to a <u>greater level of scrutiny</u> .
R	Reorganization	This is a change in the business's capital arrangements. If for a CORPORATION there are seven statutory options for reorganization that would cause the corporation and shareholders to not recognize any GAIN or LOSS on the exchange of stock.
R	Repairs	EXPENDITURES made in order to keep property in good condition but that do not appreciably prolong the life or increase the value of the property.
R	Replacements	EXPENDITURES for making good or whole the portions of property that have deteriorated through use or have been destroyed through accident.

R	Report	An oral or written description of something, such as a book, event, or situation.
R	Required Rate of Return	RETURN required by investors before they will commit money to an INVESTMENT at a given level of risk.
R	Research and Development (R&D)	Research is 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 research findings into a plan or design of new or improved products and services.
R	Research and Development Costs	The EXPENSE of FUNDING RESEARCH AND DEVELOPMENT (R&D).
R	Reserve	ACCOUNT used to earmark a portion of EQUITY or fund balance to indicate that it is not available for expenditure. An obsolete term in the United States. More commonly used in Europe.
R	Residual Value	The estimated NET scrap, salvage, or trade-in value of a TANGIBLE ASSET at the estimated date of disposal.
R	Restructuring	Reorganization within an entity. Restructuring may occur in the form of changing the components of CAPITAL, renegotiating the terms of DEBT agreements, etc.
R	Retained Earnings	Accumulated undistributed earnings of a company retained for future needs or for future distribution to its owners.
R	Return	PROFIT on a securities or capital INVESTMENT, usually expressed as an annual percentage rate.
R	Return on Assets	A measurement of a company's PROFITABILITY or overall earning power, that is, how efficiently a company uses its assets to produce INCOME. It is found by dividing INCOME by average total assets.
R	Return on Equity	A measurement of PROFITABILITY that relates the amount earned by a business to the stockholders' investments in the business. It is found by dividing NET INCOME by average OWNER'S EQUITY.
R	Return on Investment (ROI)	Ratio measure of the profits achieved by a firm through its basic operations. An indicator of management's general effectiveness and efficiency. The simplest version is the ratio of NET INCOME to total ASSETS.
R	Return on Sales	NET pretax profits as a percentage of NET SALES. A useful measure of overall operational efficiency when compared with the prior periods or with other companies in the same line of business.
R	Revenue Recognition	Method of determining whether or not income has met the conditions of being earned and realized or is realizable.
R	Revenues	Sales of products, merchandise, and services; and earnings from INTEREST, DIVIDEND, rents.
R	Risk	Measurable possibility of losing or not gaining value.
R	Risk Averse	Term referring to the assumption that, given the same RETURN and different RISK alternatives, a rational investor will seek the SECURITY offering the least risk.
R	Risk Management	Process of identifying and monitoring business risks in a manner that offers a RISK / RETURN relationship that is acceptable to an entity's operating philosophy.
S	Safe Harbor Rule	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.
S	Sale	Any exchange of goods or services for money.
S	Sales Discount	A discount that is given to a buyer for early payment for a sale made on CREDIT.
S	Salvage Value	Selling price assigned to retired FIXED ASSETS or merchandise unsalable through usual channels.
S	Secondary Market	EXCHANGES and OVER-THE-COUNTER markets where securities are bought and sold subsequent to original issuance, which took place in the primary MARKET.
S	Secured Debt	DEBT guaranteed by the pledge of assets or other COLLATERAL.

S	Separate Entity	A business that is treated as distinct from its creditors, customers, and owners.
S	Share	Unit of EQUITY in a CORPORATION.
S	Shareholder	Owner of one or more shares of stock in a CORPORATION.
S	Shares Authorized	Number of shares of stock provided for in the articles of INCORPORATION of a COMPANY.
S	Shares Outstanding	The number of shares in a COMPANY that have been issued and remain in circulation.
S	Simple Interest	INTEREST calculation based only on the original PRINCIPAL amount.
S	Solvency	State of being able to meet maturing OBLIGATIONS as they come due.
S	Solvent	Capable of paying one's financial obligations.
S	Spot Market	MARKET for buying and selling COMMODITIES or financial instruments for immediate delivery and payment based on the settlement conventions of the particular market.
S	Standard	A widely known and accepted measurement or weight used as a basis for a system of measurements.
S	Standard Cost	Realistic costs for direct materials, direct labor, and factory overhead that have been determined before they occur.
S	Statement of Owner's Equity	The financial STATEMENT that shows how and why an OWNER'S EQUITY, or capital, ACCOUNT has changed over s specific financial PERIOD.
S	Stock Exchange	Organized marketplace in which stocks, COMMON STOCK equivalents, and bonds are traded by members of the exchange, acting both as agents and principals.
S	Stock Market	General term referring to the organized trading of securities through the various EXCHANGES and the OVER-THE-COUNTER MARKET.
S	Stockholder	A person who owns shares of STOCK in a COMPANY.
S	Stockholders' Equity	THE OWNER'S EQUITY in a CORPORATION.
S	Straight-Line Depreciation	ACCOUNTING method that reflects an equal amount of wear and tear during each period of an ASSET'S useful life. For instance, the annual STRAIGHT-LINE DEPRECIATION of a \$2,500 asset expected to last five years is \$500.
S	Subsequent Event	Material event that occurs after the end of the accounting period and before the publication of an entity's FINANCIAL STATEMENTS. Such events are disclosed in the notes to the financial statements.
S	Subsidiary	COMPANY of which more than 50% of the voting shares are owned by another CORPORATION, called the PARENT COMPANY.
T	T Account	The simplest form of an ACCOUNT, shaped like the letter T, in which increases and decreases in the account can be recorded.
T	Takeover	The act or an instance of taking control of something, especially by force.
T	Tangible Asset	ASSETS having a physical existence, such as cash, land, buildings, machinery, or claims on property, investments or goods in process.
T	Target Costing	A pricing method that (1) identifies the price at which a product will be competitive in the marketplace, (2) identifies the minimum desired PROFIT to be made on the product, and (3) computes a target cost for the product by subtracting the desired profit from the competitive MARKET PRICE.
T	Tax	Charge levied by a governmental unit on income, consumption, wealth, or other basis.
T	Time Value of Money	The concept that CASH FLOWS of equal dollar amounts separated by a time interval have different present values because of the effect of compound INTEREST.
T	Time Value	Price put on the time an investor has to wait until an INVESTMENT matures, as determined by calculating the PRESENT VALUE of the investment at MATURITY.
T	Total Capitalization	Capital structure of a COMPANY, including LONG-TERM DEBT and all forms of EQUITY.

T	Total Cost	Sum of FIXED COSTS, semi-variable costs, and VARIABLE COSTS.
T	Total Direct Labor Cost Variance	The difference between the actual LABOR costs incurred and the standard labor costs for the good units produced.
T	Total Direct Materials Cost Variance	The difference between the actual materials costs incurred and the standard costs of those items.
T	Total Gain	Excess of the proceeds realized on the sale of either INVENTORY or noninventory goods.
T	Trademark	Distinctive name, symbol, motto, or emblem that identifies a product, service, or firm.
T	Trader	Anyone who buys and sells goods or services for PROFIT; a DEALER or merchant.
T	Transaction	The act of transacting, especially a business agreement or exchange; event or condition recognized by an entry in the book ACCOUNT.
T	Transfer	To move or cause to go from one place, person, or thing to another.
T	Transfer Price	Price charged by individual entities in a multi-entity CORPORATION on transactions among themselves; also termed transfer cost.
T	Treasury Bill	Short-term obligation that bears no INTEREST and is sold at a discount.
T	Treasury Bond	Long-term obligation that matures more than five years from issuance and bears INTEREST.
T	Treasury	A place where private or public funds are controlled.
T	Trend	Long-term price or trading volume movements either up, down, or sideways, which characterize a particular MARKET, commodity or SECURITY.
T	Trend Analysis	A type of horizontal analysis in which percentage changes are calculated for related items for several successive years instead of for two years.
T	Trial Balance	A comparison of the total of DEBIT and CREDIT balances in the LEDGER to check that they are equal.
T	Trust	Ancient legal practice where one person (the GRANTOR) transfers the legal title to an ASSET, called the principal or corpus, to another person (the TRUSTEE), with specific instructions about how the corpus is to be managed and disposed.
T	Trustee	Person who is given legal title to, and management authority over, the property placed in a TRUST.
T	Turnover	The number of times a particular product is sold and restocked during a fixed period of time.
U	Undervalued	SECURITY selling below its LIQUIDATION value or the MARKET VALUE analysts believe it deserves.
U	Underwrite	To assume the RISK of buying a new ISSUE of securities from the issuing CORPORATION or government entity and reselling them to the public, either directly or through dealers.
U	Unearned Discount	ACCOUNT on the books of a lending institution recognizing INTEREST deducted in advance and which will be taken into INCOME as earned over the life of the LOAN.
U	Unearned Income	Payments received for services which have not yet been performed.
U	Unearned Interest	INTEREST that has already been collected on a LOAN by a FINANCIAL INSTITUTION, but that cannot yet be counted as part of earnings because the PRINCIPAL of the loan has not been OUTSTANDING long enough.
U	Unit	Any division of quantity accepted as a standard of measurement or of exchange.
U	Unlimited Liability	The responsibility of all the partners in a COMPANY for its DEBT.
U	Unqualified Opinion	AUDIT opinion not qualified for any material scope restrictions nor departures from GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP). The AUDITOR may issue an unqualified opinion only when there are no identified material weaknesses and when there have been no restrictions on the scope of the auditor's work. Also known as CLEAN OPINION.

U	Unrealized Profit (or Loss)	PROFIT or LOSS that has not become actual.
V	Valuation	The process of determining the PRESENT VALUE of a BOND based on the current MARKET INTEREST RATE.
V	Value	How much money something is worth.
V	Variable Costs	Total costs that change in direct proportion to changes in productive output or any other measure of volume.
V	Variable Manufacturing Costs	Costs that increase or decrease in direct proportion to the number of units produced.
V	Variable Overhead	The portion of mixed or semi-variable overhead costs that changes proportionately with some measure of activity or output.
V	Variance	Deviation or difference between an estimated value and the actual value.
V	Vendor	Supplier of goods or services of a commercial nature; may be a manufacturer, importer, or wholesale distributor.
V	Venture Capital	Investment company whose primary objective is capital growth. New ASSETS invested largely in companies that are developing new ideas, products, or processes.
W	Wage	Payment for services of employees at an hourly rate.
W	Weighted-Average-Cost Method	An AVERAGE-COST METHOD procedure for determining the cost of ENDING INVENTORY under the PERIODIC INVENTORY SYSTEM
W	Wholesale	The sale of goods in large quantities, especially to a person or COMPANY that plans to sell them at retail.
W	Wholesaler	Middleman or distributor who sells mainly to retailers, jobbers, other merchants, and industrial, commercial, and institutional users as distinguished from consumers.
W	Work in Progress	INVENTORY account consisting of partially completed goods awaiting completion and transfer to finished inventory.
W	Working Capital	Excess of CURRENT ASSETS over CURRENT LIABILITIES.
W	Write Off	Charging an ASSET ACCOUNT to EXPENSE or LOSS.
Y	Yield	Return on an INVESTMENT an investor receives from DIVIDENDS or INTEREST expressed as a percentage of the cost of the SECURITY.
Y	Yield to Call	YIELD on a BOND assuming the bond will be redeemed by the ISSUER at the first call date specified in the INDENTURE agreement.
Y	Yield to Maturity	Rate of return on a SECURITY to its maturity, giving effect to the stated interest rate, accrual of discount, or AMORTIZATION of PREMIUM.
Z	Zero-Coupon Bond	BOND on which the holder receives only one payment at maturity which includes both PRINCIPAL and INTEREST from issuance to maturity.
Z	Zero-Coupon Convertible Security	ZERO-COUPON BOND convertible into the COMMON STOCK of the issuing COMPANY when the stock reaches a predetermined price.