

APPENDIX

FOR

PROPOSED POWER PROJECTS

IN THE ERCOT AREAS OF TEXAS

TO

IMPROVE GRID SYNCHRONIZATION

TO ACCEPT MORE RENEWABLES INTO

THE ERCOT GRID SYSTEM

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APPENDIX

APPENDIX ONE: ACRONYMS

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APPENDIX: ACRONYMS

a. TECHNICAL

AAQS	Ambient Air Quality Standards (environment) (US)
AAU	Assigned amount units (measurement)
ABT	Availability based tariff (electricity)
ABF	Aquatic Base Flow (Hydropower) (electricity)
AC	Alternating current
ACA	Annual Charge Adjustment (electricity)
ACE	Area Control Error (electricity)
ACEEE	American Council for an Energy-Efficient Economy
ACRS	Accelerated Cost Recovery System (finance)
ADITC	Accumulated Deferred Investment Tax Credit (policy)
ADR	Asset Depreciation Range (finance)
AEP	American Electric Power (electricity)
AESO	Alberta Electric System Operator
AFE	Authority for Expenditure or Authorization for Expenditure
AFUDC	allowance for funds used during construction
AFV	Alternative fuel vehicle
AGA	American Gas Association
AGC	Automatic generation control
AGD	Associated Gas Distributors (US)
AIEE	American Institute of Electrical Engineers
AIMA	Agricultural Impact Mitigation Agreement (US)
ALJ	Administrative law judge
AMI	Advanced metering infrastructure
AMR	Automated meter reading also known as Automatic Meter Reading
AMRA	Automatic Meter Reading Association
ANSI	American National Standards Institute
AOS	Authorized Overrun Service
APA	Administrative Procedure Act
APE	Area of potential effect (electricity)
API	American Petroleum Institute (oil)
APPA	American Public Power Association (electricity)

APR	Actual peak reduction (e.g. in demand response systems) (electricity)
AQCR	Air Quality Control Region (US) (environment)
ARA	(in shipping) ports of Amsterdam – Rotterdam – Antwerp (oil)
ARR	Auction Revenue Rights (electricity)
ASCC	Alaskan System Coordination Council
ASE	Alliance to Save Energy
ASTM	American Society for Testing and Materials
ATC	Available transfer capability
AVR	Automatic Voltage Regulator (electricity)
B	
BA	Balancing Authority
BA	Biological Assessment
BACT	Best Available Control Technology
BBL/D	Barrel per day
BBL/SD	Barrel per day, on stream days
BBL	barrel (42 gallons)
BCD	Barrel per day, on calendar days
BCF	billion cubic feet
BCP	Blackstart Capability Plan
BES	Bulk electric system (Electricity transmission)
Bhp	Brake horsepower
BIA	Bureau of Indian Affairs (US)
BIPV	Building Integrated Photo Voltaic
BI	Barrel
BLM	Bureau of Land Management of United States Department of the Interior
BLS	Bureau of Labor Statistics of United States Department of Labor
BOE	Barrel of oil equivalent (international)
BPA	Bonneville Power Administration (US)
BPL	Broadband over power line
BPS	Bulk Power System (Electricity transmission)
BTMG	Behind The Meter Generation

BTU	British thermal unit(s)
BTX	from BTX process, a mixture of benzene, toluene, and xylene (oil)
BuRec	United States Bureau of Reclamation (government)
BWR	Boiling water reactor (nuclear)
C	
C&I	Commercial and industrial customers (Electricity transmission)
CA	Carbon Abatement- increasing carbon-neutrality
CAA	Clean Air Act (US)
CAEM	Center for the Advancement of Energy Markets (US)
CAES	Compressed Air Energy Storage
CAFÉ	Corporate Average Fuel Economy standards (US)
CAISO	California Independent System Operator Corporation,
CAP	Capacity market programs
CAPM	Capital asset pricing model
CARB	California Air Resources Board
CBL	Customer Baseline Load ^[1]
CBM	Capacity Benefit Margin
CBOB	Conventional Gasoline Blendstock for Oxygenate Blending
CC	Combined cycle see also CCPP and CCGT
CCGT	Combined cycle gas turbine electricity generator
CCLIP	Conditional Credit Line for Investment Projects
CCN	Certificate of Convenience and Necessity (utilities regulation)
CCPG	Colorado Coordinated Planning Group
CCPP	Combined cycle power plant
CD	Contract Demand
CDD	Cooling degree day,
CDM	Clean Development Mechanism
CEA	Country Environmental Analysis
CEC	California Energy Commission
CEMS	Continuous emissions monitoring system
CEP	Country Environmental Profile

CEQ	Council on Environmental Quality
CER	Certified Emission Reduction
CERA	Cambridge Energy Research Associates
CERCLA	Comprehensive Environmental Response, Compensation, and Liability Act
CERCLIS	Comprehensive Environmental Response, Compensation, and Liability Information System (US)
CERTS	Consortium for Electric Reliability Technology Solutions sponsored by the United States Department of Energy and California Energy Commission
CfD	Contract for difference
CFS	cubic feet per second
CFTC	Commodity Futures Trading Commission
CH₄	Methane
CHP	Combined heat and power
CIAC	Contributions in Aid of Construction
CIP	Critical Infrastructure Protection (US)
CMVE	Competitive Market Value Estimate
CNG	Compressed natural gas
CO	Carbon monoxide
CO₂	Carbon dioxide
COC	Cost of capital
COE	U.S. Army Corps of Engineers
CP	Coincident Peak Certificate Proceeding
CPA	California Power Authority
CPI	Consumer Price Index
CPP	Critical Peak Pricing
CPP-F	Critical peak fixed
CPP-V	Critical peak variable
CPS	Cycles per second (hertz)
CPUC	California Public Utilities Commission
CREF	Caribbean Renewable Energy Facility
CRP	Conservation Reserve Program (US)

CRT	Capacity Reservation Tariff
CSD	Commission for Sustainable Development (UN)
CSEM	Center for the Study of Energy Markets (US)
CSP	Country Strategy Paper
	Curtailement service provider
CT	Combustion turbine (electricity)
CZMA	Coastal Zone Management Act
D	
DADRP	Day Ahead Demand Response Program
DADS	Demand response Availability Data System
DANIDA	Danish International Development Agency
DA-RTP	RTP Day ahead real time pricing (regarding Electricity metering)
DC	Direct current
DCLM	Direct control load management
DCS	Disturbance Control Standard
DEFG	Distributed Energy Financial Group (US)
DEIS	Draft Environmental Impact Statement (US)
DER	Distributed Energy Resources
DERMS	Distributed Energy Resource Management Systems
DF	Distribution Factor
DG	Distributed generation (electricity)
	Directorate-General (EU) (government)
DIIS	Danish Institute for International Studies (organization)
DLC	Direct load control (regarding Load management)
DME	Disturbance Monitoring Equipment
DO	Dissolved oxygen
DOE	United States Department of Energy (government)
DOE/FE	United States Department of Energy Office of Fossil Energy (government)
DOI	United States Department of the Interior (government)
DOT	United States Department of Transportation (government)
DP	Distribution point
DR	Demand response

DRAM	Demand Response and Advanced Metering Coalition
DRB	Demonstrated reserve base
DRCC	Demand Response Coordinating Council (coalition)
DRR	Demand Response resources
DRRC	Demand Response Research Center (California)
DSM	Demand side management
DSO	Distribution system operator (regarding electricity distribution)
Dth	Dekatherm (defined as 1 million British thermal units, also written "MMBtu")
E	
E&D	Exploration and development expenses
E85	A fuel containing a mixture of 85 percent ethanol and 15 percent gasoline
E95	A fuel containing a mixture of 95 percent ethanol and 5 percent gasoline
EA	Environmental assessment as in an Environmental impact assessment
EAR	Estimated additional resources: considering reserves of uranium deposits
EC	European Commission
ECAR	East Central Area Reliability Coordination Agreement (US)
EPCIP	European Program for Critical Infrastructure Protection
ECPA	Electric Consumers Protection Act (US)
EDC	Electric Distribution Company (electricity)
EdF	Electricité de France
EDRP	Emergency demand response program
EE	Energy efficiency
EEl	Edison Electric Institute
EERS	Energy Efficiency Resource Standards
EF	Earth Fault
EHV	Extra high voltage
EIA	Energy Information Administration (US)
EIB	European Investment Bank
EIM	Energy Imbalance Market (electricity)
EIPP	Eastern Interconnection Phasor Project
EIS	Environmental Impact Statement (US)

ELCON	Electricity Consumers Resources Council
EMF	Electromagnetic field
EMP	Environmental Management Plan
EOR	Enhanced oil recovery
EPA	United States Environmental Protection Agency
EPAct	Energy Policy Act of 1992 and 2005
EPRI	Electric Power Research Institute (US)
EPSA	Electric Power Supply Association
EQR	Electric Quarterly Report
ERA	Economic Regulatory Administration (United States Department of Energy)
ERCOT	Electric Reliability Council of Texas, Inc,
ERGEG	European Regulators Group for Electricity and Gas
ERIS	Energy Resource Interconnection Service (electricity)
ERO	Electric Reliability Organization. The US designated NERC as its ERO.
ERoEI	Energy returned on energy invested
ERRA	Energy Regulators Regional Association
ESCO	Energy service company
ESI	Environmental Sustainability Index
ESMAP	Energy Sector Management Assistance Program
ESP	Electrostatic precipitator
ESS	Energy Storage System, as in grid energy storage (electricity)
ETBE	ethyl tertiary butyl ether
ETSO	European Transmission System Operators association
EU	European Union
EUEF	European Union Energy Facility
EUEI	European Union Energy Initiative
F	
FAC	Fuel Adjustment Clause
FACTS	Flexible Alternating Current Transmission System
FASB	Financial Accounting Standards Board
FBR	fast breeder reactor
FCITC	First Contingency Incremental Transfer Capability

FEIS	Final Environmental impact statement (US)
FELCC	Firm Energy Load Carrying Capability
FERC	Federal Energy Regulatory Commission (U.S.)
FGD	Flue-gas desulfurization
FINESSE	Financing Energy Services for Small Scale Users
Fishway	Fish ladder
FLPMA	Federal Land Policy and Management Act (US)
FME	Free market economics
FONSI	Finding of no significant impact. See Environmental impact statement (US)
FPA	Federal Power Act (US)
FPC	Federal Power Commission (US)
FPS	Firm peaking service. See Peaking power plant
FRCC	Florida Reliability Coordinating Council (US)
FRS	Financial Reporting System
FT	Firm Transportation Service
FTC	Federal Trade Commission (US)
FTR	Firm Transmission Rights
FTS	Firm transportation service
FUA	The Fuel Use Act (US)
FUCO	Foreign Utility Company
FWPA	Federal Water Power Act (US)
G	
G&T	Generation and transmission utility cooperative (electricity)
GADS	Generating Availability Data System (electricity)
GAL	gallon (measurement)
GAO	Government Accountability Office (General Accounting Office)
GATT	General Agreement on Tariffs and Trade (government)
GDP	gross domestic product (economics)
GEF	Global Environmental Facility (environment)
Genco	Any company doing electricity generation (US) (electricity)
GFN	Global Footprint Network
GFSE	Global Forum on Sustainable Energy (organization)

GIC	Gross Inland (energy) Consumption (EU) (energy)
GHG	Greenhouse gas (climate)
GIA	Generator Interconnection Agreement (electricity)
GIC	Gas Inventory Charge (natural gas)
GISB	Gas Industry Standards Board (now NAESB) (US) (natural gas)
GLDF	Generator to Load Distribution Factor. See Load balancing (electricity)
Gm³	Billion cubic meters (measurement – gas)
GMO	Genetically modified organism
GMP	Green Mountain Power (US) (electricity)
GNP	gross national product (economics)
GNSED	Global Network for Sustainable Energy Development
GRI	Gas Research Institute (US) (natural gas)
GRC	General rate case (US) (regulatory)
GridCo	Any company running a transmission grid (electricity).
GSF	Generator to Load Distribution Factor. See Load balancing (electricity)
GPE	Gravitational Potential Energy
GSR	Gas Supply Realignment (natural gas)
Gt	Gigaton (1 billion tons) (measurement)
GTCC	Gas Turbine Combined Cycle (electricity)
GTI	Gas Technology Institute (US)
Gtoe	One billion tons of oil equivalent(EU) (measurement- oil)
GVEP	Global Village Energy Partnership (organization)
GVW	gross vehicle weight (transportation)
GW	Gigawatt (one billion watts) (measurement- elect)
GWE	Gigawatt of electric energy (measurement- elect)
Gwh	Gigawatt hour (one billion watt hours) (measurement- elect)
GWP	global warming potential (climate)
H	
HCA	Host Control Area (electricity)
HDD	Heating degree days (conservation)
HERS	Home energy rating standard (conservation)
HHI	Herfindahl–Hirschman Index (markets)

HID	high intensity discharge (electricity)
Hp	Horsepower (measurement)
HRSG	Heat recovery steam generation
HTGR	high temperature gas cooled reactor (nuclear)
HVAC	Heating, ventilation, and air conditioning (conservation)
HVAC	High voltage alternating current (electricity)
HVAR	Highly Valued Aquatic Resource
HVDC	High Voltage Direct Current
I	
IAEA	International Atomic Energy Agency
I/C	Interruptible /Curtailable (electricity)
ICAP	Installed Capacity (electricity)
ICAP-SCR	Installed capacity special case resources (electricity)
ICCP	Inter-Control Center Communications Protocol (electricity)
ICE	Internal combustion engine (transportation)
ICT	Independent Coordinator of Transmission (US) (electricity)
ICT	Information and Communication Technology
IDC	Interchange Distribution Calculator (electricity)
IEA	International Energy Agency (Paris)
IEM	Internal electricity market (electricity)
IEEE	Institute of Electrical and Electronics Engineers
IEPE	Institute of Energy Policy and Economics (France)
IER	Incremental Energy Rate
IET	International emission trading (policy)
IGCC	Integrated coal gasification combined cycle
IGIC	Interim gas inventory charge (natural gas)
IGSC	Interim gas supply charge (natural gas)
IGT	Institute of Gas Technology (natural gas)
IGU	International Gas Union (natural gas)
IHR	Incremental Heat Rate- plant monitoring (electricity)
IIASA	International Institute for Applied System Analysis
IJC	International Joint Commission

ILP	Integrated Licensing Process
INGAA	Interstate Natural Gas Association of America
IOS	Interconnected Operations Services (electricity)
IOU	Investor owned utility (electricity)
IPAA	Independent Petroleum Association of America (oil)
IPCC	Intergovernmental Panel on Climate Change (climate)
IPP	Independent Power Producer (electricity)
IRC	ISO / RTO Council (electricity)
IROL	Interconnection Reliability Operating Limit (electricity)
IRP	Integrated Resource Planning
IRR	Internal Rate of Return (finance)
ISO	Independent System Operator (US) (see also TSO) (electricity)
ISO-NE	Independent System Operator of New England,
ISS	Interruptible Sales Service
IT	Interruptible Transportation is gas shipment via pipeline (natural gas)
ITC	Investment tax credit (policy)
ITS	"Interruptible Transportation Service" is gas shipment via pipeline
J	
JRC	Joint Research Centre
JREC	Johannesburg Renewable Energy Coalition
K	
Koe	One kilogram oil equivalent (EU) (measurement)
kV	Kilovolt (one thousand volts) (measurement)
kVA	One thousand volt Ampere (measurement)
kvar	one thousand vars (measurement)
kW	Kilowatt (one thousand watts) (measurement)
kWE	kilowatt electric (measurement)
kWh	Kilowatt hour (one thousand watt hours) (measurement)
L	
LaaR	Load acting as a resource (ERCOT category) (electricity)
LBA	Local Balancing Authority (electricity)

LBNL	Lawrence Berkeley National Laboratory (US)
LCOD	Levelized cost of delivery (electricity)
LCOE	Levelized cost of energy (electricity)
LCOS	Levelized cost of storage (electricity)
LDC	Local distribution company (electricity)
LED	Light Emitting Diode
LEVP	Low Emissions Vehicle Program
LHV	lower heating value
Li-Ion	Lithium Ion (electricity storage)
LIHEAP	Low Income Home Energy Assistance Program
LIPA	Long Island Power Authority (US) (electricity)
LLF	Load-loss factor (electricity)
LMP	Locational marginal price/pricing. See explanation in electricity markets.
LMR	Load Modifying Resource (electricity)
LNG	Liquefied Natural Gas
LODF	Line Outage Distribution Factor (electricity)
LOLE	Loss of Load Expectation (electricity)
LPG	liquefied petroleum gas
LPN	Lender Participation Notes
LRG	liquefied refinery gases
LSE	Load serving entity
LSF	Load Shift Factor
Lsfo	Low sulfur fuel oil
LWR	light water reactor
M	
MAAC	Mid Atlantic Area Council (US- geographically within PJM)
MADRI	Mid Atlantic Distributed Resources Initiative (US)
MAIN	Mid America Interconnected Network (US)
MAOP	Maximum allowable operating pressure
MAPP	Mid Continent Area Power Pool (US)
MBD	million barrels per day
MBOED	One million barrels of oil equivalent(EU)

MBR	Market based Rates
MBS	Macroeconomic Budget Support
Mcf	Roman numeral "M" for one thousand cubic feet
MDAS	Meter Data Acquisition System
MDD	Maximum Daily Delivery Obligations
MDDQ	Maximum Daily Delivery Quantity
MDM	Meter Data Management
MDQ	Maximum Daily Quantities
MECS	Manufacturing Energy Consumption Survey
MEDREP	Mediterranean Renewables Energy Partnership
MER	Maximum efficient rate
MERC	Mobile Emission Reduction Credit (MERC) (US)
MFV	Modified fixed variable rate
MISO	Midcontinent Independent System Operator, Inc.
MLP	Maximum lawful price
MLRA	Major Land Resource Areas
MM	Used to denote million in gas usage
MMbbl/d	one million barrels of oil per day
MMBtu	1 million British thermal units, same as dekatherm
MMC	Market Monitoring Center
MMCF	one million cubic feet (measurement of natural gas)
MMCFD	one million cubic feet per day
MMGAL	one million gallons
MMGAL/D	one million gallons per day
MMS	Minerals Management Service (US)
MMST	one million short tons
MODFLOW	model of groundwater flow
MOU	Memorandum of Understanding
MOX	mixed oxide fuel (nuclear)
MPAN	Meter Point Administration Number
MPG	Miles per gallon
MRO	Midwest Reliability Organization (US)

MSA	metropolitan statistical area
MSHA	Mine Safety and Health Administration (US)
Msl	Mean sea level
MSW	Municipal solid waste
Mt	one million tons (ambiguous as to whether short tons or metric tons)
MTBE	methyl tertiary butyl ether
MTEF	Medium Term Expenditure Framework
MTEP	Midwest ISO Transmission Expansion Plan 2005 (US)
Mtoe	One million tons of oil equivalent(EU)
Muni	Municipality
MVA	Megavolt amperes (one million volt amperes)
MW	Megawatt (one million watts)
MWE	megawatt electric
MWh	Megawatt hour (one million watt hours)
N	
NAAQS	National Ambient Air Quality Standards (US)
NAESB	North American Energy Standards Board (formerly GISB)
NAFTA	North American Free Trade Agreement
NAICS	North American Industry Classification System
NAP	National Renewable Energy Action Plan
NARUC	National Association of Regulatory Utility Commissioners (US) [1]
NAS	United States National Academy of Sciences
NASPI	North American Synchrophasor Initiative
NASUCA	National Association of Utility Consumer Advocates(US)
NATC	Non Recallable Available Transfer Capability
NBS	National Bureau of Standards (US)
NCD	Non coincidental Demand
NCEP	National Council on Electricity Policy (US) [2]
NCSL	National Conference of State Legislatures (US)
NEA	The National Energy Act of 1978 (US)
NEB	National Energy Board (Canada)
NEDRI	New England Distributed Resources Initiative (US)

NEM	Net energy metering (US)
NEPA	National Environmental Policy Act (US)
NEPOOL	New England Power Pool
NERC	North American Electric Reliability Council
NGA	Natural Gas Act (US)
NGAA	Natural Gasoline Association of America (US)
NGL	natural gas liquids
NGPA	Natural Gas Policy Act of 1978 (US)
NGPL	Natural gas plant liquids
NGPSA	Natural Gas Pipeline Safety Act of 1968 (US)
NGSA	Natural Gas Supply Association (US)
NGV	Natural gas vehicle
NHPA	National Historic Preservation Act (US)
NIETC	National Interest Electric Transmission Corridor (US)
NITC	Normal Incremental Transfer Capability
NIMBY	Not in my backyard regarding siting of energy infrastructure.
NOAA	National Oceanic and Atmospheric Administration (US)
NOC	National Oil Company
NOI	Notice of Intent or Notice of Inquiry or Notice of Investigation
NOPR	Notice of Proposed Rulemaking (US)
NORDEL	association of Nordic electric system operators
NOx	nitrogen oxides
NPCC	Northeast Power Coordinating Council (US)
NPV	Net Present Value
NRC	Nuclear Regulatory Commission (US)
NRCS	National Resource Conservation Service (US)
NRECA	National Association of Rural Electric Cooperatives (US)
NREL	National Renewable Energy Laboratory (US)
NREPA	National Resource and Environmental Protection Act (US)
NRI	National Rivers Inventory (US)
NRIS	Network Resource Interconnection Service (electricity)
NSA	Noise sensitive area

NTAC	Northwest Transmission Assessment Committee (US)
NUG	Non Utility Generator
NURE	national uranium resource evaluation (US)
NYDER	New York Department of Environmental Resources
NYISO	New York Independent System Operator, Inc. (US)
NYMEX	New York Mercantile Exchange
NYPSC	New York Public Service Commission
NYSERDA	New York State Energy Research and Development Authority
O	
O&M	Operation and Maintenance Expenses
O₃	Ozone
OASIS	Open Access Same-Time Information System
OATI	Open Access Technology International (US energy software company)
OATT	Open Access Transmission Tariff (US)
OCS	Outer Continental Shelf (oil and wind resources)
OCSLA	Outer Continental Shelf Lands Act (oil)
OECD	Organization for Economic Co-operation and Development
OEM	original equipment manufacturers
OFO	Operational Flow Order
OMP	Operation and Maintenance Plan
Ontario	IESO Ontario Independent Electricity System Operator (Canada)
OPEC	Organization of Petroleum-Exporting Countries (oil)
OPRG	oxygenated fuels program reformulated gasoline (oil)
OREC	ocean resource energy credits
ORNL	Oak Ridge National Laboratory (U.S.) (nuclear)
OSHA	U.S. Department of Labor Occupational Safety and Health Administration
OTAG	Ozone Transport Assessment Group
OTDF	Outage Transfer Distribution Factor
OTEC	ocean thermal energy conversion (electricity)
P	
PA	Planning Authority
	Programmatic Agreement

PADD	Petroleum Administration for Defense Districts (US)
PBR	pebble bed reactor (nuclear) performance based rates (electricity) Performance-based regulation
PCB	polychlorinated biphenyl
PCM	Project Cycle Management
PCS	Power conversion system
PCT	Programmable Communicating Thermostat (electricity)
PD	Preliminary Determination
PDC	Phasor data concentrator.
PDCI	Pacific Direct Current Intertie (US) (electricity)
PEM	Proton Exchange Membrane
PFC	perfluorocarbons
PG&E	Pacific Gas & Electric (US) (electricity)
PGA	Purchased gas adjustment
PHA	Production Handling Agreement
PHFFU	Plant held for future use
PIDX	Petroleum Industry Data Exchange (oil)
PIER	Public Interest Energy Research (CEC)
PIFUA	Powerplant and Industrial Fuel Use Act of 1978
PJM	PJM Interconnection, LLC, a regional transmission organization.
PLC	Power line communication (electricity)
PLMA	Peak Load Management Association (US) (electricity)
PM	Particulate matter
PM&E	Protection, mitigation and enhancement
PMA	Power Marketing Administration or Fed. Power Marketing Agency
PMU	Phasor measurement unit (electricity)
PNNL	Pacific Northwest National Laboratory (DOE) (US)
POD	Point of Delivery
PoE	Power over Ethernet
POLES	Prospective On Long Term Energy Systems
POLR	Provider of last resort (electricity)

PPA	Power Purchase Agreement (electricity)
PPI	producer price index
Ppmv	Parts Per Million by Volume
Ppp	Purchasing power parity
PPR	Potential peak reduction
PREP	Pacific Regional Energy Programme
PRESSEA	Promotion of Renewable Energy Sources in South East Asia (PRESSEA)
Prim	Primary (electricity) nuclear, hydro, geothermal, wind, solar
PSC	Public Service Commission
PSD	Prevention of Significant Deterioration
PSE	Puget Sound Energy (US) (electricity)
PTDF	Power Transfer Distribution Factor (electricity)
PTP	Point to Point Transmission Service (electricity)
PUC	Public Utility Commission (electricity)
PUD	Public Utility District (electricity)
PUHCA	Public Utility Holding Company Act of 1935 (US) (electricity)
PURPA	Public Utility Regulatory Policies Act of 1978 (US) (electricity)
PV	photovoltaic (solar)
PVC	photovoltaic cell (solar)
PVC	polyvinyl chloride
PWR	pressurized water reactor (nuclear)
PX	Power exchange
Q	
QF	qualifying facility
QSE	Qualifying scheduling entity
QUAD	10 ¹⁵ Btu (a quadrillion in the short scale)
R	
R/P	Reserve on Production Reserves to Production
RAB	Regional Advisory Body (US)
RAC	Refiners' acquisition cost
RAP	Regulatory Assistance Project

RAR	Reasonable assured resources
RAS	Remedial Action Scheme
RATC	Recallable Available Transmission Capability
RBMK	Russian: "High Power Channel Type Reactor" (RU)
RBOB	reformulated gasoline blendstock for oxygenate blending
RC	Reliability Coordinator
RCIS	Reliability Coordinator Information System
RCRA	Resource Conservation and Recovery Act (US)
RDF	refuse derived fuel (electricity)
REA	Rural Electrification Administration (US)
REC	Renewable energy credit (US)
RECS	Residential Energy Consumption Survey (US)
REEEP	Renewable Energy and Energy Efficiency Partnership
RER	Renewable Energy Rider
RES	Renewable energy source
RET/EE	IAF Renewable Energy Technology & Energy Efficiency
RF	Radio frequency
RFA	Regulatory Flexibility Act (US)
RFC	Reliability First Corporation (US) (electricity)
RFG	reformulated gasoline (oil)
RFI	Request for Interchange
RFP	Request for proposals
RGGI	Regional Greenhouse Gas Initiative
RGS	Renewable Generating System
RM	Rulemaking
RMATS	Rocky Mountain Area Transmission Study (US) (electricity)
RMR	Reliability Must Run (electricity)
RMU	Removal Units
ROA	Return of Assets (finance)
ROE	Return of Equity (finance)
ROFR	Right of First Refusal (finance)
ROI	Return on Investment

ROW	Right of Way
RPM	Reliability Pricing Model.
RPS	Renewable Portfolio Standards (US)
RRO	Regional reliability organization (US)
RSE	Revenue Stream Estimate (finance)
RSE	relative standard error
RTBM	Real-Time Balancing Market (electricity)
RTEP	Regional transmission expansion plan
RTG	Regional Transmission Group (US)
RTO	Regional transmission organization (US)
RTP	Real time Pricing
RTU	Remote Terminal Unit
RUS	Rural Utilities Service
RVP	Reid vapor pressure
S	
SCADA	Supervisory control and data acquisition
SCE	Southern California Edison (US)
SCE&G	South Carolina Electric & Gas (US)
Scf	Standard cubic foot
SCO	Stranded Cost Obligation (finance)
SCR	Special Case Resources (US- NYISO category)
SCR	Selective Catalytic Reduction
SDG&E	San Diego Gas & Electric (US)
SEA	Strategic Environmental Assessment
SEC	Securities and Exchange Commission (US)
SEER	seasonal energy efficiency ratio
SEFI	Sustainable Energy Finance Initiative
SEIA	Sustainable Energy Industry Association
Seams	Interconnections Seam Study
SEPA	Smart Energy Power Alliance
SERC	Southeastern Electric Reliability Council (US)
SF₆	sulfur hexafluoride

SFC	Solid oxide fuel cell (transportation)
SFEIS	Supplemental Final Environmental Impact Statement (US)
SFV	Straight Fixed Variable
SGR	State game refuge (US)
SHPO	State Historic Preservation Office (US)
SI	International System of Units (Système international d'unités)
SIC	Standard Industrial Classification
SMES	Superconducting magnetic energy storage
SMPs	Special Marketing Programs
SNG	Synthetic Natural Gas or Substitute Natural Gas
SO₂	Sulfur dioxide
SOL	System Operating Limit
SPCC	Spill Prevention, Containment and Countermeasure Plan
SPM	Synchronized phasor measurement
SPP	Southwest Power Pool Inc., a regional transmission organization (US) Statewide Pricing Pilot (US-California) Small power producer (electricity)
SPR	Strategic Petroleum Reserve (US)
SPS	Special Protection System
SR	Speculative resources For example, regarding uranium deposits. (nuclear)
SRP	Salt River Agricultural Improvement & Power District (US) (electricity)
SSM	Synchronized system measurement
STEP	Southwest Transmission Expansion Plan group (US) (electricity)
SVC	Static VAR compensator (electricity)
SVEC	Shenandoah Valley Electric Cooperative
SWAT	Southwest Area Transmission (US) (electricity)
SWU	Separative work unit
T	
TAME	Tertiary amyl methyl ether
TAPS	Trans-Alaska Pipeline System (natural gas)
TBA	tertiary butyl alcohol
TBL	transmission business line (electricity)

TBS	town border station
Tcf	Trillion cubic feet (measurement)
TCR	Transition cost recovery (mechanism)
TDU	Transmission Dependent Utility (electricity)
TEFRA	Tax Equity and Fiscal Responsibility Act of 1985
TEN	Trans-European Networks (electricity)
TLR	Transmission Line Loading Relief Procedures (electricity)
TO	Transmission owner (electricity)
Toe	Ton of oil equivalent (EU)
TOP	transmission operator (electricity)
TOU	time of use (rate) (electricity)
Transco	transmission company (US) (electricity) Transcontinental Pipeline (US) (natural gas)
TRM	Transmission reliability margin (electricity)
TSO	Transmission system operator) (electricity)
TSR	Transmission service request (electricity)
TTC	Total transfer capability (electricity)
TVA	Tennessee Valley Authority (US) (electricity)
TW	terawatt (one trillion watts) (measurement)
TWH	terawatt-hour (one trillion watt hours)
T&D	Transmission and distribution
U	
U.S.C.	United States Code
U₃O₈	triuranium octaoxide (nuclear)
UAE	United Arab Emirates (oil)
UCAP	Unforced Capacity (electricity)
UCTE	Union for the Coordination of the Transport of Electricity
UF₆	uranium hexafluoride (nuclear)
UFLS	Under frequency load shedding (electricity)
UHVAC	ultra-high-voltage alternating current (electricity)
UHVDC	ultra-high-voltage direct current (electricity)
ULCC	Ultra Large Crude Carrier (oil)

UMTRA	Uranium Mill Tailings Radiation Control Act of 1978 (US)
UNCCD	United Nations Convention to Combat Desertification
UNDESA	UN Department of Economic and Social Affairs
UNDP	United Nations Development Programme
UNDP	United Nations Development Programme
UNECE	United Nations Economic Commission for Europe
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change
UO₂	uranium dioxide (nuclear)
UO₃	uranium trioxide (nuclear)
UO₄	uranyl peroxide (nuclear)
UOX	uranium oxide (nuclear)
URR	Ultimate Recoverable Resources
USBR	United States Bureau of Reclamation
USCE	United States Army Corps of Engineers
US DOE	United States Department of Energy
USGS	United States Geological Survey
UVLS	under voltage load shedding (electricity)
V	
V	Volt (measurement)
VA	Volt-ampere (measurement)
Var	Volt-ampere reactive (measurement)
VAWT	vertical axis wind turbine (wind)
VIN	vehicle identification number (US) (transportation)
VLCC	very large crude carrier (oil)
VMT	vehicle miles traveled (transportation)
VOC	volatile organic compound
VPP	Variable peak pricing (electricity)
VSA	Voltage stability analysis
W	
W	Watt
WACOG	weighted average cost of gas

WAMS	Wide area measurement system, also Wide area monitoring system
WCMC	World Conservation Monitoring Centre
WCRE	World Commission on Renewable Energy
WEA	World Energy Assessment
WEC	World Energy Council
WECC	Western Electricity Coordinating Council (US)
WEI	Western Electric Institute (US)
WEEA	World Energy Efficiency Organization
WH	watthour (measurement)
WHO	World Health Organization
WIRAB	Western Interconnection Regional Advisory Body (US)
WRI	World Resources Institute
WSCC	Western Systems Coordinating Council (US)
WSPP	Western Systems Power Pool (US)
WSSD	World Summit on Sustainable Development
WTG	Wind turbine generator (wind)
WTI	West Texas Intermediate (US)
WTP	Willingness to pay
WY	Water Year (measurement)

APPENDIX ONE: ACRONYMS

b. FINANCIAL

A

ADR	American Depositary Receipt
AI	Artificial Intelligence
AM	Account manager
AOP	Adjusted Operating Profit
AOP	Annual Operating Plan
AP	Accounts payable
AR	Accounts receivable
ARPU	Average revenue per user
ASP	Average selling price
ASAP	"As soon as possible"
agcy.	Agency
agt.	Agent
asst.	Assistant
a/c.	Account
afaik.	As far as I know

B

BAU	Business As Usual
BEP	Break Even Point
BIC	Bank Identifier Code
bdg.	Building
BLS	Balance Sheet
BMC	Business Model Canvas
BOM	Bill of Materials
BPO	Business Process Outsourcing
BPR	Brief Project Report
BPV	Bank Payment Voucher
BRD	Business Requirements Document
BRU	Business Recovery Unit
BRV	Bank Receipt Voucher

BTW	By the way
B2B	Business-to-business
B2C	Business to Consumer
B2G	Business-to-government
BU	Business Unit
BUSI	Business
bus.	Business
C	
CAGR	Compound annual growth rate
CAO	Chief Administrative Officer or Chief Accounting Officer
CAPEX	Capital Expenditure
CAPM	Capital asset pricing model ^[1]
CBOE	Chicago Board Options Exchange
CBOT	Chicago Board of Trade
CDO	Collateralized debt obligation or Chief Data Officer
CDM	Change and Data Management
CDS	Credit default swap
CEO	Chief executive officer
COA	Chart of Account
CFA	Chartered Financial Analyst
CFD	Contract for difference
CFC	Consumption of fixed capital
CFCT	Cash Flow Cycle Time
CFM	Certified Financial Manager
CFO	Chief Financial Officer
CFS	Consolidated Financial Statement
CIA	Certified Internal Auditor
CIF	Cost Insurance With Freight
CIMA	Chartered Institute of Management Accountants
CIO	Chief Information Officer, Chief Investment Officer
CIP	Carriage and Insurance Paid
CISA	Certified Information Systems Auditor

CISO	Chief Information Security Officer
CLO	Chief Legal Officer
CMA	Certified Management Accountant
CMFB	Committee on monetary, finance and balance of payments statistics
CMO	Chief Marketing Officer
COB	Close of Business
COC	Cost of Credit ^[2] or Cost of Capital ^[3]
COD	Cost of Debt ^[4] or Cash on Delivery
COE	Center of Excellence or Cost of Equity ^[5]
COGS	Cost of Goods Sold
Corp.	Corporation
COO	Chief Operating Officer
CPA	Certified Public Accountant
CPI	Consumer Price Index
CPO	Chief People Officer also Chief Procurement Officer
CPQ	Configure, Price, Quote
CPU	Central Processing Unit
CSI	Corporate Social Investment
CSO	Chief Security Officer
CSR	Corporate social responsibility
CRM	Customer Relationship Management
CVP	Cost Volume Profit
CTA	Call to action
CTO	Chief Technology Officer
CX	Customer Experience
CXO	Any chief officer(s), x being a placeholder.
C2B	Consumer-to-business
C&F	Cost With Freight
CKM	Customer Knowledge Management
CTC	Cost to company
CUSIP number	Committee on Uniform Security Identification Procedures number
Cr	Credit

CA	Current account (disambiguation)Current Account
D	
DDA	Depletion Depreciation Amortization
Dept.	Department
DI	Dispatch information
DIFOT	Delivery in full on time, a variant of On Time In Full
Dir	Director
disc.	Discount
DMA	Direct market access
DOE	Depending on Experience
DPO	Days Payable Outstanding
DR	Depository receipt
DSO	Days Sales Outstanding
DSP	Delivery service provider
DTP	Desktop Publishing
DVP	Delivery versus payment
E	
EAR	Effective annual rate
EAY	Effective Annual Yield
EBITA	Earnings before interest and taxes and amortization
EBITDA	Earnings before Interest, Taxes, Depreciation, and Amortization
ECB	European Central Bank
ECS	Electronic Clearing Service or Electronic Clearing System
EDI	Electronic Data Interchange
EFSM	European Financial Stabilization Mechanism
EFTPOS	Electronic Funds Transfer at Point of Sale
EPS	Earnings per share
EXP	Export
EOB	End of business
EOD	End of day
EOM	End of Message
ERP	Enterprise Resource Planning

ETA	Estimated Time of Arrival
ETD	Estimated Time of Departure or Estimated Time of Delivery
EMI	Equated Monthly Installment
EPC	Export Promotion Council
ECGC	Export Credit Guarantee Corporation of India
EXW	Ex Works
F	
FAB	Feature Advantage Benefits
FDP	Finance Department
FOB	Freight On Board
FIFO	First In, First Out
FinMin	Finance Minister
Fin Min	Finance Minister
FL	Financial leverage
FOMC	Federal Open Market Committee
FP&A	Financial Planning & Analysis
FPO	Follow on public offer
FIX	Financial Information Exchange
FSA	Financial Services Authority
FTE	Full Time Equivalent
FV	Future Value
FX	Foreign exchange market
FY	Fiscal year or Financial year
FYA	For Your Action
FYI	For Your Information
FOC	Free Of Cost
F/U	Follow-Up
G	
GAAP	Generally Accepted Accounting Principles
GAAS	Generally Accepted Audit Standards
GDP	Gross Domestic Product
GDPR	General Data Protection Regulation

GDR	Global depository receipt
GFCF	Gross fixed capital formation
GL	General Ledger
GMV	Gross Merchandise Volume
GP	Gross Profit
GPO	Group purchasing organization
GRN	Goods Receipt Note
GRNI	Goods Receipt Not Invoiced
GSV	Gross Sales Value
GVC	Global value chain
GMROI	Gross Margin Return on Inventory Investment
G&A	General and Administration expense.
H	
HMRC	Her Majesty's Revenue and Customs
HP	Hire purchase
HQ	Headquarters
HR	Human Resources
HRD	Human Resource Development
HS Code	Harmonized Commodity Description and Coding System
I	
IAS	International Accounting Standards
IBAN	International Bank Account Number
ICB	Industry Classification Benchmark
ICRM	Innovative Customer Relationship Management
IE	Interest expense
IFRS	International Financial Reporting Standard
IMF	International Monetary Fund
IMP	Import
Inc.	Incorporated
IoT	Internet of Things
IPO	Initial public offering
IPT	Item Per Transaction

IR	Interest Rate - typically referring to an IR derivative product
IRS	Internal Revenue Service
IRR	Internal Rate of Return
ISIN	International Securities Identification Number
ISM	Institute of Supply Management
ITT	Invitation to tender
IYR	In Year Revenue
J	
J	Journal
JIT	Just in time
JIS	Just in sequence
JST	Joint Supervisory Team
K	
K	Is used as an abbreviation for 1,000.
Ke	Is used as an abbreviation for Cost of Equity (COE).
KIBOR	Karachi Interbank Offered Rate
KPI	Key Performance Indicator,
KYC	"Know Your Customer".
L	
LBO	Leveraged Buyout
LC	Letter of credit
LIBOR	London Interbank Offered Rate
LE	Latest Estimate
LIFFE	London International Financial Futures and Options Exchange
LIFO	Last In, First Out
LLC	Limited Liability Company
LME	London Metal Exchange
LMS	Learning Management System
LOI	Letters of Intent
LOU	Letters of Undertaking

Ltd.	Limited Company
LTV	Loan to Value
LY	Last Year
M	
MBS	mortgage-backed security
mfg.	Manufacturing
MGMT	Management
MIC	Market Identifier Code
MiFID	Markets in Financial Instruments Directive
MILE	Maximum impact, little effort ^[10]
MoM	Month on Month / Month over Month
MOQ	Minimum Order Quantity
MOU	Memorandum of understanding
MPC	marginal propensity to consume
MRO	Maintenance, Repair, and Operations
MRP	Maximum Retail Price
MSOD	Monthly Statement of Select Operational Data
MSRP	Manufacturer's Suggested Retail Price
MTD	Month-to-date
MWC	Managerial Working Capital
MPR	Monthly Progress Report
N	
NAV	Net asset value
NCBO	No Change of Beneficial Ownership
NCND	Non-Circumvent and Non-Disclosure
NDA	Non-Disclosure Agreement
NII	Net Interest Income
NIM	Net Interest Margin
NNTO	No Need To Open
NOA	Net Operating Assets
NOI	Net Operating Income
NOPAT	Net Operating Profit After Tax

NPA	Non Performing Asset
NPL	Non-performing loan
NPV	Net Present Value
NTE	Not To Exceed
NYMEX	New York Mercantile Exchange
NYSE	New York Stock Exchange
O	
OC	Opportunity Cost
OCF	Operating cash flow
OECD	Organization for Economic Co-operation and Development
OEM	Original Equipment Manufacturer
OIBDA	Operating Income Before Depreciation And Amortization
OKR	Objectives and key results
OOF	Out of Facility, used interchangeably with Out of Office
OOO	Out of Office
OPEX	Operating Expenditure or Operational Expenditure
OTIF	On Time In Full
OTC	Over-the-counter (finance)
P	
P&L	Profit and Loss
P2B	Platform to Business ^[12]
PA	Purchasing agent or Personal Assistant
PA	Promotional Activity
PAT	Profit After Tax
PBT	Profit Before Tax
P/E	Price-to-earnings ratio
PE	Private Equity
PEG	Price-to-earnings growth ratio
PFI	Private Finance Initiative
PI or PII	Professional Indemnity (insurance coverage)
pip	Percentage in point
PMAC	Period Moving Average Cost

PO	Profit Objective or Purchase Order
POA	Plan Of Action
POS	Point of sale
PP&E	Property, plant, and equipment
PPP	Public-private partnership
PPP	Purchasing power parity
PPT	Powerpoint presentation
PR	Purchase Requisition
PTD	Project to Date
PWIN	Percent win
Q	
Q1, Q2, Q3, Q4	quarters of the accounting year, calendar year or fiscal year
QC	Quality control or Quality costs
QoQ	Quarter on quarter
q/q	Quarter on quarter
QTD	Quarter-to-date
R	
RAQSCI	Regulatory, Assurance of Supply, Quality, Service, Cost, Innovation
RBI	Reserve Bank of India
RBA	Reserve Bank of Australia
RE	Retained Earnings
RFI	Request for information
RFP	Request for Proposal
RFQ	Request for Quotation
RFX	Generic name for a Request for Information, Proposal or Quotation
ROA	Return on assets
ROB	Return on brand
ROC	Registration Of Company
ROCE	Return on Capital Employed
ROE	Return on Equity
ROI	Return on Investment
ROIC	Return on Invested Capital

RONA	Return on net assets
ROS	Return on Sales
RR	Resource rent
RSP	Retail selling price
RWA	Risk-weighted asset
R&D	Research and Development
RC	Retail Company
S	
S_t	Sales, during time period <i>t</i> .
S&M	Sales & Marketing
S&OP	Sales and operations planning
SAAS	Software-as-a-Service
SBU	Strategic Business Unit
SBLC	Stand By Letter of Credit
SCM	Supply Chain Management
SCBA	Social Cost Benefit Analysis
SEBI	Securities and Exchange Board of India
SEC	Securities and Exchange Commission
SEDOL	Stock Exchange Daily Official List
SG&A	Sales, General, and Administrative expenses
SIOP	Sales Inventory and Operations Plan
SIR	Stores Issuance Requisition
SIV	Structured investment vehicle
SKU	Stock keeping unit
SLA	Service Level Agreement
SME	Small and Medium Enterprises
SOHO	Small Office/Home Office
SOP	Standard Operating Procedure
SOW	Statement of Work
SOX	Sarbanes-Oxley
SROI	Social return on investment
STP	Situation Target Proposal or Situation Target Path ^[15]

SUA	Start Up Agreement
T	
TB	Transaction Banking
TBC	To Be Completed
TBD	To Be Defined
TCO	Total Cost of Ownership
TCV	Total Contract Value
TOTW	Time Off for Time Worked
TQM	Total Quality Management
TSR	Total Shareholder Return
TTM	Trailing Twelve Months
TVM	Time Value of Money
Ts & Cs	Terms and Conditions
U	
USP	Unique Selling Proposition
UPI	Unified Payment Interface
V	
VAD	Value-Added Distributor
VaR	Value at Risk
VAR	Value-Added Reseller
VAT	Value-Added Tax
VC	Venture Capital
VP	Vice President
W	
WACC	Weighted average cost of capital
WC	Working capital
WFH	Work From Home
wk	week
wrk	work
wo	work order
WOGs	With other Goods

WIGs	Wildly Important Goals
wasp	weighted average selling price
WLL	With Limited Liability
w.r.t	With Respect To
WTI	West Texas Intermediate
WVN	Withdraw Voucher Note
WHT	Withholding Tax
WTO	World Trade Organization
WTD	Week-To-Date
WW	World Wide
X	

This section **needs expansion.**

Y

YTD	Year-to-date
YTG	Year-to-go
YOY	Year-over-year
YTC	Yet-To-Confirm
FYF	Full Year Forecast

Z

ZBB	Zero Based Budgeting
zcyc	Zero Coupon Yield Curve
ZOPA	Zone of Possible Agreement

APPENDIX: GLOSSARY

a. TECHNICAL

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Absorber: A material that readily absorbs photons to generate charge carriers (free electrons or holes).

Absorbers: Dark-colored objects that soak up heat in solar collectors.

Absorption coefficient: The factor by which photons are absorbed as they travel a unit distance through a material.

Acceptor: A dopant material, such as boron, which has fewer outer shell electrons than required in an otherwise balanced crystal structure, providing a hole, which can accept a free electron.

Accessible: (As applied to wiring methods) Capable of being removed or exposed without damaging the building structure or finish, or not permanently closed in by the structure or finish of the building.

Accessible: (as applied to equipment) Admitting close approach: not guarded by locked doors, elevation, or other effective means. (see Accessible, Readily)

Accessible, Readily: (Readily Accessible) Capable of being reached quickly for operation, renewal, or inspections, without requiring those to whom ready access is requisite to climb over or remove obstacles or to resort to portable ladders, chairs, etc.

Actinide: an element with atomic number of 89 (actinium) or above.

Activation product: A radioactive isotope of an element (e.g., in the steel of a reactor core) which has been created by neutron bombardment.

Active solar heater: A solar water or space-heating system that moves heated air or water using pumps or fans.

Affected employee: An employee whose job requires him or her to operate or use a machine or equipment on which servicing or maintenance is being performed under lockout or tagout, or whose job requires him or her to work in an area in which such servicing or maintenance is being performed.

Air Circuit Breakers: These are used to interrupt circuits while current flows through them. Compressed air is used to quench the arc when the connection is broken.

Air mass: The ratio of the mass of atmosphere in the actual observer-sun path to the mass that would exist if the observer was at sea level, at standard barometric pressure, and the sun was directly overhead. Note: (sometimes called air mass ratio)

Air mass 1.5 (AM1.5) standard reference spectrum: The solar spectral irradiance distribution (diffuse and direct) incident at sea level on a sun-facing 37-degree tilted surface. The atmospheric conditions for AM1.5 are: precipitable water vapor, 14.2 mm; total ozone, 3.4 mm; turbidity (base e, $\lambda=0.5$ mm), 0.27. [ASTM E 892, Table 2]

Alternating current: Electric current in which the direction of flow is reversed at frequent intervals: usually 100 or 120 times per second (50 or 60 cycles per second or 50/60 Hz).

ALARA: As Low As Reasonably Achievable, economic and social factors being taken into account. This is the optimization principle of radiation protection.

Alpha particle: A positively-charged particle from the nucleus of an atom, emitted during radioactive decay. Alpha particles are helium nuclei, with 2 protons and 2 neutrons.

Alternative fuels: Solid fuels such as municipal solid waste (MSW), refuse derived fuel (RDF), biomass, rubber tires, and other combustibles that are used instead of fossil fuels (gas, oil, or coal) in a boiler to produce steam for the generation of electrical energy.

Ambient Temperature: The temperature of the air, water, or surrounding earth. Conductor ampacity is corrected for changes in ambient temperature including temperatures below 86°F. The cooling effect can increase the current carrying capacity of the conductor. (Review Section 310-10 of the Electrical Code for more understanding)

Ammeter: An electric meter used to measure current, calibrated in amperes.

Ampacity: The current-carrying capacity of conductors or equipment, expressed in amperes.

Ampere (A) or amp: The basic SI unit measuring the quantity of electricity. The unit for the electric current; the flow of electrons. One amp is 1 coulomb passing in one second. One amp is produced by an electric force of 1 volt acting across a resistance of 1 ohm.

Ampere-hour (Ah): Quantity of electricity or measure of charge. (1 Ah = 3600 C [Coulomb])

Amorphous semiconductor: A non-crystalline semiconductor material that has no long-range order.

Annual solar savings: The annual solar savings of a solar building is the energy savings attributable to a solar feature relative to the energy requirements of a non-solar building.

Anthropogenic: Referring to alterations in the environment due to the presence or activities of humans.

Antireflection coating: A thin coating of a material, which reduces the light reflection and increases light transmission, applied to a photovoltaic cell surface.

Armored Cable: A cable provided with a wrapping of metal, usually steel wires or tapes, primarily for the purpose of mechanical protection.

Arc-over Voltage: The minimum voltage required to cause an arc between electrodes separated by a gas or liquid insulation.

Array: Any number of photovoltaic modules connected together to provide a single electrical output. Arrays are often designed to produce significant amounts of electricity.

Atom: A particle of matter which cannot be broken up by chemical means. Atoms have a nucleus consisting of positively-charged protons and uncharged neutrons of the same mass. The positive

charges on the protons are balanced by a number of negatively-charged electrons in motion around the nucleus.

Attendant: An employee assigned to remain immediately outside the entrance to an enclosed or other space to render assistance as needed to employees inside the space.

Attenuation: (1) The ratio of the input to output power levels in a network (transmission line) when it is excited by a matched source and terminated in a matched load. (2) Power loss in an electrical system.

Authorized employee: An employee who locks out or tags out machines or equipment in order to perform servicing or maintenance on that machine or equipment. An affected employee becomes an authorized employee when that employee's duties include performing servicing or maintenance covered under this section.

Automatic circuit re-closer: A self-controlled device for interrupting and re-closing an alternating current circuit with a predetermined sequence of opening and re-closing followed by resetting, hold-closed, or lockout operation.

Autonomous system: A stand-alone Photovoltaic system that has no back-up generating source. May or may not include storage batteries.

Availability: Describes the reliability of power plants. It refers to the number of hours the turbines are available to produce power divided by the total hours in a year.

Avoided cost: The minimum amount an electric utility is required to pay an independent power producer, under the PURPA regulations of 1978, equal to the costs the utility calculates it avoids in not having to produce that power (usually substantially less than the retail price charged by the utility for power it sells to customers).

B

Background radiation: The naturally-occurring ionizing radiation which every person is exposed to, arising from the earth's crust (including radon) and from cosmic radiation.

Balance of system: Represents all components and costs other than the Photovoltaic modules. It includes design costs, land, site preparation, system installation, support structures, power conditioning, operation and maintenance costs, indirect storage, and related costs

Band gap: In a semiconductor, the energy difference between the highest valence band and the lowest conduction band.

Band gap energy (EG): The amount of energy (in electron volts) required to free an outer shell electron from its orbit about the nucleus to a free state and, thus, to promote it from the valence level to the conduction level.

Band-to-band Auger recombination: Recombination of an electron and a hole occurring between bands of the same energy in which no magnetic radiation is emitted.

Bare Conductor: A conductor not covered with insulating material.

Barricade: A physical obstruction such as tapes, cones, or A-frame type wood or metal structures intended to provide a warning about and to limit access to a hazardous area.

Barrier: A physical obstruction which is intended to prevent contact with energized lines or equipment or to prevent unauthorized access to a work area.

Barrier energy: The energy given up by an electron in penetrating the cell barrier; a measure of the electrostatic potential of the barrier.

Barrier, fire: A continuous membrane, either vertical or horizontal, such as a wall or floor assembly, that is designed and constructed with specified fire resistance rating to limit the spread of fire and that will also restrict the movement of smoke. Such barriers can have protected openings.

Base load: That part of electricity demand which is continuous, and does not vary over a 24-hour period. Approximately equivalent to the minimum daily load.

Base power: Power generated by a utility unit that operates at a very high capacity factor.

Baseline performance value: Initial values of short-circuit current, open-circuit voltage, and current at maximum power measured by the accredited laboratory and corrected to Standard Test Conditions, used to validate the manufacturer's performance measurements provided with the qualification modules per IEEE 1262.

Batteries: These are used in the substation control house as a backup to power the control systems in case of a power blackout.

Battery energy storage: The three main applications for battery energy storage systems include spinning reserve at generating stations, load leveling at substations, and peak shaving on the customer side of the meter. Battery storage has also been suggested for holding down air emissions at the power plant by shifting the time of day of the emission or shifting the location of emissions.

Bayonet Coupling: A quick coupling device for plug and receptacle connectors, accomplished by rotation of a cam operating device designed to bring the connector halves together.

Becquerel: The SI unit of intrinsic radioactivity in a material. One Bq measures one disintegration per second and is thus the activity of a quantity of radioactive material which averages one decay per second. (In practice, GBq or TBq are the common units.)

Beryllium Copper (BeCu): A relatively expensive contact material with properties superior to brass and phosphor bronze. It is recommended for contact applications requiring repeated extraction and reinsertion because of its resistance to fatigue at high operating temperatures.

Beta particle: A particle emitted from an atom during radioactive decay. Beta particles may be either electrons (with negative charge) or positrons.

BIPV (Building-Integrated Photovoltaic): A term for the design and integration of Photovoltaic into the building envelope, typically replacing conventional building materials. This integration may be in vertical facades, replacing view glass, spandrel glass, or other facade material; into semitransparent skylight systems; into roofing systems, replacing traditional roofing materials; into shading "eyebrows" over windows; or other building envelope systems.

Biological shield: A mass of absorbing material (e.g., thick concrete walls) placed around a reactor or radioactive material to reduce the radiation (especially neutrons and gamma rays respectively) to a level safe for humans.

Blocking diode: A diode used to restrict or block reverse current from flowing backward through a module. [UL 1703] Alternatively, diode connected in series to a Photovoltaic string; it protects its modules from a reverse power flow and, thus, against the risk of thermal destruction of solar cells.

Boiling water reactor (BWR): A common type of light water reactor (LWR), where water is allowed to boil in the core thus generating steam directly in the reactor vessel.

Bonding Jumper: A bare or insulated conductor used to ensure the required electrical conductivity between metal parts required to be electrically connected. Frequently used from a bonding bushing to the service equipment enclosure to provide a path around concentric knockouts in an enclosure wall - also used to bond one raceway to another.

Boron (B): A chemical element, atomic number 5, semi-metallic in nature, used as a dopant to make p-semiconductor layers.

Boule: A sausage-shaped synthetic single-crystal mass grown in a special furnace, pulled and turned at a rate necessary to maintain the single-crystal structure during growth.

Breakdown Voltage: The voltage at which an insulator or dielectric ruptures, or at which ionization and conduction take place in a gas or vapor.

Breed: To form fissile nuclei, usually as a result of neutron capture, possibly followed by radioactive decay.

Breeder reactor: see Fast Breeder Reactor and Fast Neutron Reactor.

British thermal unit (Btu): The amount of heat energy required to raise the temperature of one pound of water from 60 degrees F to 61 degrees F at one atmosphere pressure.

Burnable poison: A neutron absorber included in the fuel which progressively disappears and compensates for the loss of reactivity as the fuel is consumed. Gadolinium is commonly used.

Burnup: Measure of thermal energy released by nuclear fuel relative to its mass, typically Gigawatt days per tonne (GWd/tU).

Bushing: An insulating structure, including a through conductor or providing a passageway for such a conductor, with provision for mounting on a barrier, conducting or otherwise, for the purposes of insulating the conductor from the barrier and conducting current from one side of the barrier to the other.

Bus Support Insulators: These are porcelain or fiberglass insulators that serve to isolate the bus bar switches and other support structures and to prevent leakage current from flowing through the structure. These insulators are similar in function of other insulators used in substations and transmission poles and towers.

Bypass diode: A diode connected across one or more solar cells in a photovoltaic module such that the diode will conduct if the cell(s) become reverse biased. [UL 1703] Alternatively, diode connected anti-parallel across a part of the solar cells of a Photovoltaic module. It protects these solar cells from thermal destruction in case of total or partial shading of individual solar cells while other cells are exposed to full light.

C

Cable: A conductor with insulation, or a stranded conductor with or without insulation and other coverings (single-conductor cable), or a combination of conductors insulated from one another (multiple-conductor cable).

Cable Assembly: A cable with plugs or connectors on each end.

Cable sheath: A conductive protective covering applied to cables. Note: A cable sheath may consist of multiple layers of which one or more is conductive.

Cadmium (Cd): A chemical element, atomic number 48, used in making certain types of solar cells and batteries.

Cadmium telluride (CdTe): A polycrystalline thin-film photovoltaic material.

Calandria: (in a CANDU reactor) a cylindrical reactor vessel which contains the heavy water moderator. It is penetrated from end to end by hundreds of calandria tubes which accommodate the pressure tubes containing the fuel and coolant.

CANDU: Canadian deuterium uranium reactor, moderated and (usually) cooled by heavy water.

Capacitance: That property of a system of conductors and dielectrics that permits the storage of electricity when potential difference exists between the conductors. Its value is expressed as the ratio of quantity of electricity to a potential difference. A capacitance value is always positive. The unit of capacitance is called the Farad. The farad is an SI unit of electrical capacitance, equal to the capacitance of a capacitor in which one coulomb of charge causes a potential difference of one volt.

Capacitor Bank: An array of capacitors connected into a circuit. Capacitors are used to control voltages supplied to the customer by eliminating the voltage drop in the system caused by inductive reactive loads.

Capacity factor: The amount of energy that the system produces at a particular site as a percentage of the total amount that it would produce if it operated at rated capacity during the entire year. For example, the capacity factor for a wind farm ranges from 20% to 35%.

Cathodic protection: A method of preventing oxidation (rusting) of exposed metal structures, such as bridges and pipelines, by imposing between the structure and the ground a small electrical voltage that opposes the flow of electrons and that is greater than the voltage present during oxidation.

Cell: The basic unit of a photovoltaic system.

Cell barrier: A very thin region of static electric charge along the interface of the positive and negative layers in a photovoltaic cell. The barrier inhibits the movement of electrons from one layer to the other, so that higher-energy electrons from one side diffuse preferentially through it in one direction, creating a current and thus a voltage across the cell. Also called depletion zone, cell junction, or space charge.

Cell junction: The area of immediate contact between two layers (positive and negative) of a photovoltaic cell. The junction lies at the center of the cell barrier or depletion zone.

Central power: The generation of electricity in large power plants with distribution through a network of transmission lines (grid) for sale to a number of users.

Chain reaction: A reaction that stimulates its own repetition, in particular where the neutrons originating from nuclear fission cause an ongoing series of fission reactions.

Charge carrier: A free and mobile conduction electron or hole in a semiconductor.

Chemical vapor deposition (CVD): A method of depositing thin semiconductor films. With this method, a substrate is exposed to one or more vaporized compounds, one or more of which contain desirable constituents. A chemical reaction is initiated, at or near the substrate surface, to produce the desired material that will condense on the substrate.

Chlorofluorocarbon: A family of chemicals composed primarily of carbon, hydrogen, chlorine, and fluorine whose principal applications are that of refrigerants and industrial cleansers and whose principal drawback is the tendency to destroy the Earth's protective ozone layer.

Circuit: A conductor or system of conductors through which an electric current is intended to flow.

Circuit Switchers: Circuit switchers are a set of switches for redirecting current in a substation. Circuit switchers provide equipment protection for transformers, lines, cables, and capacitor banks. They also are used to energize and deenergize capacitor banks and other circuits.

Cladding: The metal tubes containing oxide fuel pellets in a reactor core.

Clearance (between objects): The clear distance between two objects measured surface to surface.

Clearance (for work): Authorization to perform specified work or permission to enter a restricted area.

Cleavage of lateral epitaxial films for transfer (CLEFT): A process for making inexpensive GaAs photovoltaic cells in which a thin film of GaAs is grown atop a thick, single-crystal GaAs (or other suitable material) substrate and then is cleaved from the substrate and incorporated into a cell, allowing the substrate to be reused to grow more thin-film GaAs.

Closed Entry Contact: A female contact designed to prevent the entry of a pin or probing device having a cross-sectional dimension (diameter) greater than the mating pin.

Coal: A black, solid fossil fuel found in the Earth. Coal is often burned to make electricity.

Coaxial Cable: A high-band width cable consisting of two concentric cylindrical conductors with a common axis that is used for high-speed data communication and video signals.

Cogeneration: The process in which fuel is used to produce heat for a boiler-steam turbine or gas for a turbine. The turbine drives a generator that produces electricity, with the excess heat used for process steam.

Combined collector: A photovoltaic device or module that provides useful heat energy in addition to electricity.

Compact fluorescent lights: Lights that use a lot less energy than regular light bulbs. We can use compact fluorescent lights for reading lights and ceiling lights.

Component Lead: The solid or stranded wire or formed conductor that extends from a component and serves as a readily formable mechanical or electrical connection or both.

Compressed-air energy storage (CAES): CAES plants use off-peak electrical energy to compress air into underground storage reservoirs for storage until times of peak or intermediate electricity demand. Wind power offers a good opportunity for charging CAES storage. The storage is typically underground in natural aquifers, depleted oil or gas fields, mined salt caverns, or excavated or natural rock caverns. To generate power, the compressed air is first heated by gas burners, then passed through a turbine.

Concentrator: A Photovoltaic module that uses optical elements to increase the amount of sunlight incident on a Photovoltaic cell.

Concentrating: arrays must track the sun and use only the direct sunlight because the diffuse portion cannot be focused onto the Photovoltaic cells.

Concentrate: See Uranium oxide concentrate (U_3O_8).

Concentrator (module, array, or collector): An arrangement of photovoltaic cells that includes a lens to concentrate sunlight onto small-area cells. Concentrators can increase the power flux of sunlight hundreds of times.

Concentricity: In a wire or cable, the measurement of the location of the center of the conductor with respect to the geometric center of the surrounding insulation.

Concrete Foundations: A platform made of concrete that provides a solid stable support for large equipment. Concrete foundations or pads are laid for all large equipment, support structures, and control buildings in a substation.

Conductance: The reciprocal of resistance. It is the ratio of current passing through a material to the potential difference at its ends.

Conduction band; Conduction level: Energy level at which electrons are not bound to (orbiting) a specific atomic nucleus but are free to wander among the atoms. An energy band in which electrons can move freely in a solid, producing a net transport of charge.

Conductivity: The ability of a material to conduct electric current. It is expressed in terms of the current per unit of applied voltage. It is the reciprocal of resistivity.

Conductor: A wire or combination of wires not insulated from one another, suitable for carrying electric current.

Conduits: Conduits are hollow tubes running from manhole to manhole in an underground transmission or distribution system.

Connection: That part of a circuit that has negligible impedance and that joins components, devices, etc., together.

Connector: A device providing electrical connection/disconnections. It consists of a mating plug and receptacle. Various types of connectors include DIP, card edge, two-piece, hermaphroditic and wire-wrapping configurations. Multiple contact connectors join two or more conductors with others in one mechanical assembly.

Connector Discontinuity: An ohmic change in contact resistance.

Connector Insert: For connectors with metal shells, the insert holds contacts in proper arrangement while electrically insulating them from each other and from the shell.

Connector Shell: The case that encloses the connector insert and contact assembly. Shells of mating connectors can protect projecting contacts and provide proper alignment.

Constant-speed wind turbines: Turbines that operate at a constant rotor revolutions per minute (RPM) and are optimized for energy capture at a given rotor diameter at a particular speed in the wind power curve.

Contact, Female: A contact located in an insert or body in such a manner that the mating contact is inserted into the unit. It is similar in function to a socket contact.

Contact, Male: A contact located in an insert or body in such a manner that the mating portion extends into the female contact. It is similar in function to a pin contact.

Contact Plating: Plated-on metal applied to the base contact metal to provide the required contact resistance and/or wear resistance.

Contact Resistance: Maximum permitted electrical resistance of pin and socket contacts when assembled in a connector under typical service use.

Contact Retainer: A device either on the contact or in the insert to retain the contact.

Contact Size: Defines the largest size wire that can be used with the specific contact. By specification dimensioning, it also defines the diameter of the engagement end of the pin.

Contact resistance: The resistance between metallic contacts and the semiconductor.

Continuity: The state of being whole, unbroken.

Continuous Load: A load where the maximum current is expected to continue for three hours or more. Rating of the branch circuit protection device shall not be less than 125% of the continuous load.

Control House: The substation control house contains switchboard panels, batteries, battery chargers, supervisory control, power-line carrier, meters, and relays. The control house provides all weather protection and security for the control equipment. It is also called a doghouse.

Control Panels: Control panels contain meters, control switches and recorders located in the control building, also called a doghouse. These are used to control the substation equipment, to send power from one circuit to another or to open or shut down circuits when needed.

Control rods: Devices to absorb neutrons so that the chain reaction in a reactor core may be slowed or stopped by inserting them further, or accelerated by withdrawing them.

Control Wires: Control wires are installed connecting the control house control panels to all the equipment in the substation. A typical substation control house contains several thousand feet of conduit and miles of control wire.

Conversion: Chemical process turning U_3O_8 into UF_6 preparatory to enrichment.

Conversion efficiency (cell or module): The ratio of the electric energy produced by a photovoltaic device (under one-sun conditions) to the energy from sunlight incident upon the cell.

Converter Stations: Converter stations are located at the terminals of a DC transmission line. Converter stations change alternating current into direct current and invert direct current to alternating current.

Coolant: The liquid or gas used to transfer heat from the reactor core to the steam generators or directly to the turbines.

Copper indium diselenide (CuInSe₂, or CIS): A polycrystalline thin-film photovoltaic material (sometimes incorporating gallium (CIGS) and/or sulfur).

Core: The central part of a nuclear reactor containing the fuel elements and control devices.

Coupling Capacitors: Coupling capacitors are used to transmit communication signals to transmission lines. Some are used to measure the voltage in transmission lines.

Critical mass: The smallest mass of fissile material that will support a self-sustaining chain reaction under specified conditions.

Criticality: Condition of being able to sustain a nuclear chain reaction.

Current at maximum power (I_{mp}): The current at which maximum power is available from a module.

Current Transformers: Current transformers can be used to supply information for measuring power flows and the electrical inputs for the operation of protective relays associated with the transmission and distribution circuits or for power transformers.

Cycle life: Number of discharge-charge cycles that a battery can tolerate under specified conditions before it fails to meet specified criteria as to performance (e.g., capacity decreases to 80-percent of the nominal capacity).

Czochralski process: A method of growing large size, high quality semiconductor crystal by slowly lifting a seed crystal from a molten bath of the material under careful cooling conditions.

D

Dangling bonds: A chemical bond associated with an atom on the surface layer of a crystal. The bond does not join with another atom of the crystal, but extends in the direction of exterior of the surface.

dc to DC converter: Electronic circuit to convert DC voltages (e.g., Photovoltaic module voltage) into other levels (e.g., load voltage). Can be part of a maximum power point tracker (MPPT).

Decay: Disintegration of atomic nuclei resulting in the emission of alpha or beta particles (usually with gamma radiation). Also the exponential decrease in radioactivity of a material as nuclear disintegrations take place and more stable nuclei are formed.

Decommissioning: Removal of a facility (e.g., reactor) from service, also the subsequent actions of safe storage, dismantling and making the site available for unrestricted use.

De-energized: Free from any electrical connection to a source of potential difference and from electric charge; not having a potential different from that of the earth. Note: The term is used only with reference to current-carrying parts, which are sometimes energized (alive).

Deep discharge: Discharging a battery to 20-percent or less of its full charge.

Deflagration: Propagation of a combustion zone through a fuel-oxidizer mixture at a rate that is less than the speed of sound in the un-reacted medium and capable of producing a significant increase in pressure.

Demand Factor: For an electrical system or feeder circuit, this is a ratio of the amount of connected load (in kva or amperes) that will be operating at the same time to the total amount of connected load on the circuit. An 80% demand factor, for instance, indicates that only 80% of the connected load on a circuit will ever be operating at the same time. Conductor capacity can be based on that amount of load.

Dendrite: A slender threadlike spike of pure crystalline material, such as silicon.

Dendritic web technique: A method for making sheets of polycrystalline silicon in which silicon dendrites are slowly withdrawn from a melt of silicon whereupon a web of silicon forms between the dendrites and solidifies as it rises from the melt and cools.

Depletion zone: Same as cell barrier. The term derives from the fact that this microscopically thin region is depleted of charge carriers.

Depleted uranium: Uranium having less than the natural 0.7% U-235. As a by-product of enrichment in the fuel cycle it generally has 0.25-0.30% U-235, the rest being U-238. Can be blended with highly-enriched uranium (e.g., from weapons) to make reactor fuel.

Designated employee (designated person): An employee (or person) who is designated by the employer to perform specific duties under the terms of this section and who is knowledgeable in the construction and operation of the equipment and the hazards involved.

Detachment: The locating of a combustible particulate solid process in the open air or in a separate building.

Deuterium: "Heavy hydrogen", a stable isotope having one proton and one neutron in the nucleus. It occurs in nature as 1 atom to 6500 atoms of normal hydrogen, (Hydrogen atoms contain one proton and no neutrons).

Diallyl Phthalate (DAP): A thermosetting plastic that offers outstanding dimensional stability and resistance to most chemicals and chemical compounds. It is used in the production of connector housings.

Dielectric: (1) Any insulating medium that intervenes between two conductors. (2) A material that, having the property required to establish an electric field, is recoverable in whole or in part as electric energy.

Dielectric Constant: That property of a dielectric that determines the electrostatic energy stored per unit volume for a unit potential gradient. Permittivity is the preferred term.

Dielectric Strength: The maximum voltage that a dielectric material can withstand, under specified conditions, without rupturing. It is usually expressed as volts/unit thickness. Also called Disruptive Gradient or Electric Strength.

Dielectric Withstanding Voltage: Maximum potential gradient that a dielectric material can withstand without failure.

Diffuse insulation: Sunlight received indirectly as a result of scattering due to clouds, fog, haze, dust, or other obstructions in the atmosphere. Opposite of direct insulation.

Diffusion furnace: Furnace used to make junctions in semiconductors by diffusing dopant atoms into the surface of the material.

Diffusion length: The mean distance a free electron or hole moves before recombining with another hole or electron.

Direct current (dc): Electric current in which electrons flow in one direction only. Opposite of alternating current.

Direct gain: In direct-gain buildings, sunlight directly enters the home through the windows and is absorbed and stored in massive floors or walls. These buildings are elongated in the east-west direction, and most of their windows are on the south side. The area devoted to south windows varies throughout the country. It could be as much as 20% of the floor area in sunny cold climates, where advanced glazings or moveable insulation are recommended to prevent heat loss at night. These buildings have high insulation levels and added thermal mass for heat storage.

Direct insulation: Sunlight falling directly upon a collector. Opposite of diffuse insulation. Discharge rate: The rate, usually expressed in amperes or time, at which electrical current is taken from the battery.

Disconnect Switches: Disconnect switches or circuit breakers are used to isolate equipment or to redirect current in a substation

Distributed power: Generic term for any power supply located near the point where the power is used. Opposite of central power. See 'stand-alone'; 'remote site.'

Distributed systems: Systems that are installed at or near the location where the electricity is used, as opposed to central systems that supply electricity to grids. A residential photovoltaic system is a distributed system.

Distribution Bus: A distribution bus is a steel structure array of switches used to route power out of a substation.

Distribution Feeder Circuits: These are the connections between the output terminals of a distribution substation and the input terminals of primary circuits. The distribution feeder circuit conductors leave the substation from a circuit breaker or circuit recloser via underground cables, called substation exit cables.

Distribution Transformers: Distribution transformers reduce the voltage of the primary circuit to the voltage required by customers.

DOD: 'Depth of Discharge,' from 100-percent state of charge (SOC), in a battery or battery system.

Donor: An n-type dopant that puts an additional electron into an energy level very near the conduction band; this electron is easily excited into the conduction band where it increases the electrical conductivity over than of an undoped semiconductor.

Donor level: The level that donates conduction electrons to the system.

Dopant: A chemical element (impurity) added in small amounts to an otherwise pure semiconductor material to modify the electrical properties of the material. An n-dopant introduces more electrons. A p-dopant creates electron vacancies (holes).

Doping: The addition of dopants to a semiconductor.

Duct Runs: Ducts are hollow tubes running from manhole to manhole inside a conduit in an underground system. They are of various sizes usually from 2 to 6 inches in diameter.

Dustproof: Constructed or protected so that dust will not interfere with its successful operation.

Dusttight: Constructed so that dust will not enter the enclosing case under specified test conditions.

Duty, continuous: A service requirement that demands operation at a substantially constant load for an indefinitely long time.

Duty, intermittent: A service requirement that demands operation for alternate intervals of load and no load, load and rest, or load, no load, and rest.

Duty, periodic: A type of intermittent duty in which the load conditions regularly reoccur.

Duty, short time: A requirement of service that demands operations at a substantially constant load for a short and definitely specified time.

Duty, varying: A requirement of of service that demands operation at loads, and for intervals of time, both of which may be subject to wide variation.

E

Edge-defined film-fed growth (EFG): A method for making sheets of polycrystalline silicon in which molten silicon is drawn upward by capillary action through a mold.

Elastomer: A material that at room temperature stretches under low stress to at least twice its length and snaps back to original length upon release of stress.

Electric circuit: Path followed by electrons from a power source through an external line (including devices that use the electricity) and returning through another line to the source.

Electric current: A flow of electrons; electricity.

Electrical grid: An integrated system of electricity distribution, usually covering a large area.

Electric line truck: A truck used to transport personnel, tools, and material for electric supply line work.

Electric Strength: The maximum potential gradient that a material can withstand without rupture. Also called Dielectric Strength and Disruptive Gradient.

Electric supply: Conductors used to transmit electric energy and their necessary supporting or containing structures. Signal lines of more than 400 volts are always supply lines within this section, and those of less than 400 volts are considered as supply lines, if so run and operated throughout.

Electric supply equipment: Equipment that produces, modifies, regulates, controls, or safeguards a supply of electric energy.

Electric utility: An organization responsible for the installation, operation, or maintenance of an electric supply system.

Electrodeposition: Electrolytic process in which a metal is deposited at the cathode from a solution of its ions.

Electrolyte: A liquid conductor of electricity.

Electron volt: An energy unit equal to the energy an electron acquires when it passes through a potential difference of one volt; it is equal to 1.602×10^{-19} volt.

Element: A chemical substance that cannot be divided into simple substances by chemical means; atomic species with same number of protons.

Emc: Electromagnetic compatibility.

Emi: Electromagnetic interference.

Enclosed space: A working space, such as a manhole, vault, tunnel, or shaft, that has a limited means of egress or entry, that is designed for periodic employee entry under normal operating conditions, and that under normal conditions does not contain a hazardous atmosphere, but that may contain a hazardous atmosphere under abnormal conditions.

Note: Spaces that are enclosed but not designed for employee entry under normal operating conditions are not considered to be enclosed spaces for the purposes of this definition. Similarly, spaces that are enclosed and that are expected to contain a hazardous atmosphere are not considered to be enclosed spaces for the purposes of this definition.

Energized (alive, live): Electrically connected to a source of potential difference, or electrically charged so as to have a potential significantly different from that of earth in the vicinity.

Energy audit: A survey that shows how much energy you use in your house or apartment. It will help you find ways to use less energy.

Energy contribution potential: Recombination occurring in the emitter region of a photovoltaic cell.

Energy density: The ratio of energy available from a battery to its volume (Wh/l)

Energy isolating device: A physical device that prevents the transmission or release of energy, including, but not limited to, the following: a manually operated electric circuit breaker, a disconnect switch, a manually operated switch, a slide gate, a slip blind, a line valve, blocks, and any similar device with a visible indication of the position of the device. (Push buttons, selector switches, and other control-circuit-type devices are not energy isolating devices.)

Energy levels: The energy represented by an electron in the band model of a substance.

Energy source: Any electrical, mechanical, hydraulic, pneumatic, chemical, nuclear, thermal, or other energy source that could cause injury to personnel.

Enriched uranium: Uranium in which the proportion of U-235 (to U-238) has been increased above the natural 0.7%. Reactor-grade uranium is usually enriched to about 3.5% U-235, weapons-grade uranium is more than 90% U-235.

Enrichment: Physical process of increasing the proportion of U-235 to U-238.

Environment: All the natural and living things around us. The earth, air, weather, plants, and animals all make up our environment.

Epitaxial growth: The growth of one crystal on the surface of another crystal. The growth of the deposited crystal is oriented by the lattice structure of the original crystal.

Equipotential zone: A zone of equal potential used to protect workers from hazardous step and touch potentials.

Extrinsic semiconductor: The product of doping a pure semiconductor.

Explosion proof: Designed and constructed to withstand and internal explosion without creating an external explosion or fire.

Exposed: Not isolated or guarded.

F

Fast breeder reactor (FBR): A fast neutron reactor configured to produce more fissile material than it consumes, using fertile material such as depleted uranium in a blanket around the core.

Fast neutron reactor: A reactor with little or no moderator and hence utilizing fast neutrons. It normally burns plutonium while producing fissile isotopes in fertile material such as depleted uranium (or thorium).

Feeder: A circuit, such as conductors in conduit or a busway run, which carries a large block of power from the service equipment to a sub-feeder panel or a branch circuit panel or to some point at which the block power is broken into smaller circuits.

Fermi level: Energy level at which the probability of finding an electron is one-half. In a metal, the Fermi level is very near the top of the filled levels in the partially filled valence band. In a semiconductor, the Fermi level is in the band gap.

Fertile (of an isotope): Capable of becoming fissile, by capturing neutrons, possibly followed by radioactive decay; e.g., U-238, Pu-240.

Fill factor: The ratio of a photovoltaic cell's actual power to its power if both current and voltage were at their maxima. A key characteristic in evaluating cell performance.

Fire Barrier Wall: A wall separating buildings or subdividing a building to prevent the spread of fire and having a fire resistance rating and structural stability.

Fire loading: The amount of combustibles present in a given area, expressed in Btu/ft² (kJ/m²)

Fire point: The lowest temperature at which a liquid in an open container will give off sufficient vapors to burn once ignited. It generally is slightly above the flash point.

Fire protection rating: The time, in minutes or hours, that materials and assemblies used as opening protection have withstood a fire exposure as established in accordance with test procedures of NFPA 252, Standard Methods of Fire Tests of Door Assemblies, and NFPA 257, Standard on Fire Test for Window and Glass Block assemblies, as applicable.

Fissile (of an isotope): Capable of capturing a slow (thermal) neutron and undergoing nuclear fission, e.g., U-235, U-233, Pu-239.

Fissionable (of an isotope): Capable of undergoing fission: If fissile, by slow neutrons; if fertile, by fast neutrons.

Fission: The splitting of a heavy nucleus into two, accompanied by the release of a relatively large amount of energy and usually one or more neutrons. It may be spontaneous but usually is due to a nucleus absorbing a neutron and thus becoming unstable.

Fission products: Daughter nuclei resulting either from the fission of heavy elements such as uranium, or the radioactive decay of those primary daughters. Usually highly radioactive.

Flammable liquid: Any liquid having a flash point below 100°F (37.8°C) and having a vapor pressure not exceeding an absolute pressure of 40 psi (276 kPa) at 100°F (37.8°C).

Flat-plate photovoltaic module: An arrangement of photovoltaic cells mounted on a rigid flat surface with the cells exposed freely to incoming sunlight.

Flat-plate Photovoltaic: Refers to a Photovoltaic array or module that consists of non-concentrating elements. Flat-plate arrays and modules use direct and diffuse sunlight, but if the

array is fixed in position, some portion of the direct sunlight is lost because of oblique sun-angles in relation to the array.

Float charge: Float charge is the voltage required to counteract the self-discharge of the battery at a certain temperature.

Float life: Number of years that a battery can keep its stated capacity when it is kept at float charge (see float charge).

Float-zone process: A method of growing a large-size, high-quality crystal whereby coils heat a polycrystalline ingot placed atop a single-crystal seed. As the coils are slowly raised the molten interface beneath the coils becomes single crystal.

Fossil fuel: A fuel based on carbon presumed to be originally from living matter, e.g., coal, oil, gas. Burned with oxygen to yield energy, used in a boiler to produce steam for the generation of electrical energy.

Fresnel lens: An optical device that focuses light like a magnifying glass; concentric rings are faced at slightly different angles so that light falling on any ring is focused to the same point. Fresnel lenses are flat rather than thick in the center and can be stamped out in a mold.

Frequency Changers: A frequency changer is a motor-generator set that changes power of an alternating current system from one frequency to one or more different frequencies, with or without a change in the number of phases, or in voltage.

Fuel: Any material that can be burned to make energy.

Fuel assembly: Structured collection of fuel rods or elements, the unit of fuel in a reactor.

Fuel cell: A device that converts the energy of a fuel directly to electricity and heat, without combustion. Because there is no combustion, fuel cells give off few emissions; because there are no moving parts, fuel cells are quiet.

Fuel fabrication: Making reactor fuel assemblies, usually from sintered UO_2 pellets which are inserted into zircalloy tubes, comprising the fuel rods or elements.

G

Gallium (Ga): A chemical element, atomic number 31, metallic in nature, used in making certain kinds of solar cells and semiconductor devices.

Gallium arsenide (GaAs): A crystalline high-efficiency semiconductor/photovoltaic material.

Gamma rays: High energy electro-magnetic radiation from the atomic nucleus, virtually identical to X-rays.

Gassing current: Portion of charge current that goes into electrolytic production of hydrogen and oxygen from the electrolytic liquid. This current increases with increasing voltage and temperature.

Gel-type battery: Lead-acid battery in which the electrolyte is composed of a silica gel matrix.

Genetic mutation: Sudden change in the chromosomal DNA of an individual gene. It may produce inherited changes in descendants. Mutation in some organisms can be made more frequent by irradiation (though this has never been demonstrated in humans).

Gigawatt (GW): One billion watts. One million kilowatts. One thousand megawatts.

Glazings: Clear materials (such as glass or plastic) that allow sunlight to pass into solar collectors and solar buildings, trapping heat inside.

Grain boundaries: The boundaries where crystallites in a polycrystalline material meet.

Graphite: Crystalline carbon used in very pure form as a moderator, principally in gas-cooled reactors, but also in Soviet-designed RBMK reactors.

Gray: The SI unit of absorbed radiation dose, one joule per kilogram of tissue.

Greenhouse effect: The effect of the Earth's atmosphere, due to certain gases, in trapping heat from the sun; the atmosphere acts like a greenhouse.

Greenhouse gases: Gases that trap the heat of the sun in the Earth's atmosphere, producing the greenhouse effect; the two major greenhouse gases are water vapor and carbon dioxide; lesser greenhouse gases include methane, ozone, chlorofluorocarbons, and nitrogen oxides.

Grid-connected (Photovoltaic system): A Photovoltaic system in which the Photovoltaic array acts like a central generating plant, supplying power to the grid.

Grid-interactive (Photovoltaic system): See 'Grid-connected (Photovoltaic system).

Ground: A large conducting body (such as the earth) used as a common return for an electric circuit and as an arbitrary zero of potential.

Grounded, effectively: Intentionally connected to earth through a ground connection or connections of sufficiently low impedance and having sufficient current-carrying capacity to prevent the buildup of voltages that may result in undue hazards to connect equipment or to persons.

Grounded Conductor: A system or circuit conductor that is intentionally grounded, usually gray or white in color.

Grounding Conductor: A conductor used to connect metal equipment enclosures and/or the system grounded conductor to a grounding electrode, such as the ground wire run to the water pipe at a service; also may be a bare or insulated conductor used to ground motor frames, panel boxes, and other metal equipment enclosures used throughout electrical systems. In most conduit systems, the conduit is used as the ground conductor.

Grounding Equipment Conductor: The conductor used to connect the noncurrent-carrying metal parts of equipment, raceways, and other enclosures to the system grounded conductor, the

grounding electrode conductor, or both, of the circuit at the service equipment or at the source of a separately derived system.

Grounding Electrode: The conductor used to connect the grounding electrode to the equipment grounding conductor, to the grounded conductor, or to both, of the circuit at the service equipment or at the source of a separately derived system.

Grounding Resistors: Grounding Resistors are designed to provide added safety to industrial distribution systems by limiting ground fault current to reasonable levels.

Grounding Transformers: A grounding transformer intended primarily to provide a neutral point for grounding purposes.

Ground Fault Circuit Interrupter: A device intended for the protection of personnel that functions to de-energize a circuit or portion thereof within an established period of time when a current to ground exceeds some predetermined value that is less than required to operate the overcurrent protection device of the supply circuit.

Ground Fault Protection of Equipment: A system intended to provide protection of equipment from damaging line to ground fault currents by operating to cause a disconnecting means to open all ungrounded conductors of the faulted circuit. This protection is provided at current levels less than those required to protect conductors from damage through the operations of a supply circuit overcurrent device.

Guarded: Covered, fenced, enclosed, or otherwise protected, by means of suitable covers or casings, barrier rails or screens, mats, or platforms, designed to minimize the possibility, under normal conditions, of approach or accidental contact by persons or objects. Note: Wires which are insulated, but not otherwise protected, are not considered as guarded.

H

Half-life: The period required for half of the atoms of a particular radioactive isotope to decay and become an isotope of another element.

Hazardous atmosphere: An atmosphere that may expose employees to the risk of death, incapacitation, impairment of ability to self-rescue (that is, escape unaided from an enclosed space), injury, or acute illness from one or more of the following causes:

- Flammable gas, vapor, or mist in excess of 10 percent of its lower flammable limit (LFL);
- Airborne combustible dust at a concentration that meets or exceeds its LFL; Note: This concentration may be approximated as a condition in which the dust obscures vision at a distance of 5 feet (1.52 m) or less.
- Atmospheric oxygen concentration below 19.5 percent or above 23.5 percent;

- Atmospheric concentration of any substance for which a dose or a permissible exposure limit is published and which could result in employee exposure in excess of its dose or permissible exposure limit;
 - Note: An atmospheric concentration of any substance that is not capable of causing death, incapacitation, impairment of ability to self-rescue, injury, or acute illness due to its health effects is not covered by this definition.
- Any other atmospheric condition that is immediately dangerous to life or health.
 - Note: For air contaminants for which OSHA has not determined a dose or permissible exposure limit, other sources of information, such as Material Safety Data Sheets that comply with the Hazard Communication Standard, 1910.1200, published information, and internal documents can provide guidance in establishing acceptable atmospheric conditions.

Heat pump: Like an air conditioner or refrigerator, a heat pump moves heat from one location to another. In the cooling mode, heat pumps reduce indoor temperatures in the summer by transferring heat to the ground. Unlike an air conditioning unit, however, a heat pump's cycle is reversible. In winter, a heat pump can extract heat from the ground and transfer it inside. The energy value of the heat thus moved can be more than three times the cost of the electricity required to perform the transfer process.

Heavy water: Water containing an elevated concentration of molecules with deuterium ("heavy hydrogen") atoms.

Heavy water reactor (HWR): A reactor which uses heavy water as its moderator, e.g., Canadian CANDU (pressurized HWR or PHWR).

Heterojunction: A region of electrical contact between two different semiconductor materials.

High-level wastes: Extremely radioactive fission products and transuranic elements (usually other than plutonium) in spent nuclear fuel. They may be separated by reprocessing the spent fuel, or the spent fuel containing them may be regarded as high-level waste.

Highly (or High)-enriched uranium (HEU): Uranium enriched to at least 20% U-235. (In weapons it is about 90% U-235.)

High-power tests: Tests in which fault currents, load currents, magnetizing currents, and line-dropping currents are used to test equipment, either at the equipment's rated voltage or at lower voltages.

High voltage direct current (HVDC) converter station: A facility that functions as an electrical rectifier (ac-dc) to control and transmit power in a high voltage network. There are two types of HVDC valves: the mercury arc valve and the present-day technology solid state thyristor valve. Both types of valves present a fire risk due to high voltage equipment that consists of oil-filled

converter transformers, wall bushings, and capacitors in addition to various polymeric components.

High Voltage Fuses: High voltage fuses are used to protect the electrical system in a substation from power transformer faults. They are switched for maintenance and safety.

High Voltage Transmission Lines: High voltage transmission lines are designed to carry high voltage current and are constructed in many different ways. They are made with a conductor, conductor-strand with internal steel wire and copper or aluminum cladding.

High voltage transmission lines deliver electricity over long distances. The high voltage is required to reduce the amount of energy lost during the distance. Unlike other energy sources such as natural gas, electricity can't be stored when it is not used. If demand exceeds supply, a blackout occurs. A comprehensive national grid with many redundancies has been built to mitigate these circumstances, and overhead high voltage electrical lines can frequently be encountered by farmer, construction workers, and local residents.

High-voltage tests: Tests in which voltages of approximately 1000 volts are used as a practical minimum and in which the voltage source has sufficient energy to cause injury

High Voltage Underground Cables: High voltage cables are designed to carry high voltage current and are constructed in many different ways, but are usually shielded cables. They are made with a conductor, conductor-strand shielding, insulation, semi-conducting insulation shielding, metallic insulation shielding, and a sheath.

High wind: A wind of such velocity that the following hazards would be present:

- An employee would be exposed to being blown from elevated locations, or
- an employee or material handling equipment could lose control of material being handled, or
- an employee would be exposed to other hazards not controlled by the standard involved.
 - Note: Winds exceeding 40 miles per hour (64.4 kilometers per hour), or 30 miles per hour (48.3 kilometers per hour) if material handling is involved, are normally considered as meeting this criteria unless precautions are taken to protect employees from the hazardous effects of the wind.

Hole: The vacancy where an electron would normally exist in a solid; behaves like a positively charged particle.

Homojunction: The region between an n-layer and a p-layer in a single material photovoltaic cell.

Hybrid system: A Photovoltaic system that includes other sources of electricity generation, such as wind or diesel generators.

Hydrogenated amorphous silicon: Amorphous silicon with a small amount of incorporated hydrogen. The hydrogen neutralizes dangling bonds in the amorphous silicon, allowing charge carriers to flow more freely.

Impedance: The total opposition that a circuit offers to the flow of alternating current or any other varying current at a particular frequency.

Incident light: Light that shines onto the face of a solar cell or module.

Indium oxide: A wide band gap semiconductor that can be heavily doped with tin to make a highly conductive, transparent thin film. Often used as a front contact or one component of a heterojunction solar cell.

Inductive reactance: Electrical current produces heat and/or a magnetic field (such as in the windings of a motor). We refer to the tendency for current flow and changes in flow to be influenced by magnetic fields as inductance. An AC circuit that contains only inductance, capacitance or a combination of the two is defined by the total opposition to current flow expressed in reactance. Inductance only affects current flow when the current is changing. Inductance produces a self-induced voltage (called a counter emf) that opposes changes in current. Obviously, the current changes constantly in an AC circuit. Inductance in an AC circuit, therefore, causes a continual opposition. This opposition to current flow is called inductive reactance.

Infrared radiation: Electromagnetic radiation whose wavelengths lie in the range from 0.75 micrometer to 1000 micrometers.

Insertion Force: The effort, usually measured in ounces, required to engage mating components.

Insulation: A material that offers high electric resistance making it suitable for covering components, terminals and wires to prevent the possible future contact of adjacent conductors resulting in a short circuit.

Insolation: Sunlight, direct or diffuse; from 'incident solar radiation.' Not to be confused with insulation.

Insulation: Materials that prevent or slow down the movement of heat.

In situ leaching (ISL): The recovery by chemical leaching of minerals from porous ore bodies without physical excavation. Also known as solution mining.

In Sight From: (within sight from, within sight) Where it is specified that one equipment shall be "in sight from", "within sight from" or "within sight", etc. of another equipment, the specified equipment is to be visible and not more than 50' distant from the other

Insulated: Separated from other conducting surfaces by a dielectric (including air space) offering a high resistance to the passage of current.

Note: When any object is said to be insulated, it is understood to be insulated for the conditions to which it is normally subjected. Otherwise, it is, within the purpose of this section, uninsulated.

Insulation (cable): That which is relied upon to insulate the conductor from other conductors or conducting parts or from ground.

Interconnect: A conductor within a module or other means of connection which provides an electrical interconnection between the solar cells.

Interfacial Seal: Sealing of a two-piece, multiple contact connector over the whole area of the interface to provide sealing around each contact.

Interrupter Rating: The highest current at rated voltage that a device is intended to interrupt under standard test conditions.

Intrinsic semiconductor: An undoped semiconductor.

Inverters: Devices that convert DC electricity into AC electricity (single or multiphase), either for stand-alone systems (not connected to the grid) or for utility-interactive systems.

Ion: An atom that is electrically-charged because of loss or gain of electrons.

Ionizing radiation: Radiation (including alpha particles) capable of breaking chemical bonds, thus causing ionization of the matter through which it passes and damage to living tissue.

Irradiate: Material subjected to ionizing radiation. Irradiated reactor fuel and components have been subjected to neutron irradiation and hence become radioactive themselves.

Isotope: An atomic form of an element having a particular number of neutrons. Different isotopes of an element have the same number of protons but different numbers of neutrons and hence different atomic mass, e.g., U-235, U-238. Some isotopes are unstable and decay to form isotopes of other elements.

ISPRA guidelines: Guidelines for the assessment of Photovoltaic Plants, published by the Joint Research Centre of the Commission of the European Communities, Ispra, Italy.

I-type semiconductor: Semiconductor material that is left intrinsic, or undoped so that the concentration of charge carriers is characteristic of the material itself rather than of added impurities.

I-V curve: A graphical presentation of the current versus the voltage from a photovoltaic device as the load is increased from the short circuit (no load) condition to the open circuit (maximum voltage) condition. The shape of the curve characterized cell performance.

I-V data: The relationship between current and voltage of a photovoltaic device in the power-producing quadrant, as a set of ordered pairs of current and voltage readings in a table, or as a curve plotted in a suitable coordinate system (e.g., Cartesian).

J

Jacket: Outermost layer of insulating material of a cable or wire.

Junction: A region of transition between semiconductor layers, such as a p/n junction, which goes from a region that has a high concentration of acceptors (p-type) to one that has a high concentration of donors (n-type).

Junction box: A Photovoltaic generator junction box is an enclosure on the module where Photovoltaic strings are electrically connected and where protection devices can be located, if necessary.

Junction diode: A semiconductor device with a junction and a built-in potential that passes current better in one direction than the other. All solar cells are junction diodes.

K

Kilowatt (kW): 1000 watts.

Kilowatt-hour (kWh): One thousand watts acting over a period of 1 hour. The kWh is a unit of energy. 1 kWh=3600 kJ.

L

Labeled: Items to which a label, trademark, or other identifying mark of nationally recognized testing labs has been attached to identify the items as having been tested and meeting appropriate standards.

Lattice: The regular periodic arrangement of atoms or molecules in a crystal.

Light-induced defects: Defects, such as dangling bonds, induced in an amorphous silicon semiconductor upon initial exposure to light.

Lightning Arresters: Lightning arresters are devices for protecting many different pieces of equipment such as, power poles and towers, power transformers, circuit breakers, bus structures, and steel superstructures, from damage from lightning strikes

Light trapping: The trapping of light inside a semiconductor material by refracting and reflecting the light at critical angles; trapped light will travel further in the material, greatly increasing the probability of absorption and hence of producing charge carriers.

Light water: Ordinary water (H₂O) as distinct from heavy water.

Light water reactor (LWR): A common nuclear reactor cooled and usually moderated by ordinary water.

Lines, Communication: The conductors and their supporting or containing structures which are used for public or private signal or communication service, and which operate at potentials not exceeding 400 volts to ground or 750 volts between any two points of the circuit, and the

transmitted power of which does not exceed 150 watts. If the lines are operating at less than 150 volts, no limit is placed on the transmitted power of the system. Under certain conditions, communication cables may include communication circuits exceeding these limitations where such circuits are also used to supply power solely to communication equipment.

Note: Telephone, telegraph, railroad signal, data, clock, fire, police alarm, cable television, and other systems conforming to this definition are included. Lines used for signaling purposes, but not included under this definition, are considered as electric supply lines of the same voltage.

Line-commutated inverter: An inverter that is tied to a power grid or line. The commutation of power (conversion from DC to AC) is controlled by the power line, so that, if there is a failure in the power grid, the Photovoltaic system cannot feed power into the line.

Listed: Equipment or materials included in a list published by an organization acceptable to the authority having jurisdiction and concerned with product evaluation, that maintains periodic inspection of production of listed equipment or materials, and whose listing states either that the equipment or material meets appropriate designated standards or has been tested and found suitable for use in specified manner.

Load: Anything in an electrical circuit that, when the circuit is turned on, draws power from that circuit.

Location, damp: A location subject to moderate amount of moisture such as some basements, barns, cold storage, warehouse and the like.

Location, dry: A location not normally subject to dampness or wetness: a location classified as dry may be temporarily subject to dampness or wetness, as in case of a building under construction.

Location, wet: A location subject to saturation with water or other liquids.

Low-enriched uranium: Uranium enriched to less than 20% U-235. (That in power reactors is usually 3.5: 5.0% U-235.)

Lower Flammable Limit (LFL): The lowest concentration of material that will propagate a flame from an ignition source through a mixture of flammable gas or combustible dust dispersion with a gaseous oxidizer.

M

Majority carrier: Current carriers (either free electrons or holes) that are in excess in a specific layer of a semiconductor material (electrons in the n-layer, holes in the p-layer) of a cell.

Manholes: A manhole is the opening in the underground duct system which houses cables splices and which cablemen enter to pull in cable and to make splices and tests. Also called a splicing chamber or cable vault.

Marginal cost: The cost of one additional unit within a group of like units.

Maximum power point (MPP): The point on the current-voltage (I-V) curve of a module under illumination, where the product of current and voltage is maximum. [UL 1703] For a typical silicon cell, this is at about 0.45 V.

Maximum power point tracker (MPPT): Means of a power conditioning unit that automatically operates the Photovoltaic-generator at its MPP under all conditions.

Megaohm: A unit of electrical resistance equal to one million ohms.

Megaohmmeter: An instrument for measuring extremely high resistance.

Megawatt (MW): A unit of power, = 10^6 watts. MWe refers to electric output from a generator, MWt to thermal output from a reactor or heat source (e.g., the gross heat output of a reactor itself, typically three times the MWe figure).

Megger: A test instrument for measuring the insulation resistance of conductors and other electrical equipment; specifically, a megaohm (million ohms) meter; this is a registered trade mark of the James Biddle Co.

Metal-clad Switchgear: An outdoor metal-clad switchgear is a weatherproof housing for circuit breakers, protective relays, meters, current transformers, potential transformers, bus conductors, and other equipment. An indoor switchgear must be protected from the environment and contains the same types of equipment as the outdoor type.

Metal fuels: Natural uranium metal as used in a gas-cooled reactor.

Meters: They are measuring devices and can be an indicating meter or a recording meter. An indicating meter shows on a dial the quantity being measured. A recording meter makes a permanent record of the quantity being measured, usually by tracing a line on a chart or graph.

Micro: one millionth of a unit (e.g., microsievert is 10^{-6} Sv).

Microgroove: A small groove scribed into the surface of a cell which is filled with metal for contacts.

Microwave: Substations commonly use microwave communication equipment for communication with local and regional electric power system control centers. This system allows for rapid communication and signaling for controlling the routing of power.

Milling: Process by which minerals are extracted from ore, usually at the mine site.

Minimum approach distance: The closest distance an employee is permitted to approach an energized or a grounded object.

Minority carrier: A current carrier, either an electron or a hole, that is in the minority in a specific layer of a semiconductor material; the diffusion of minority carriers under the action of the cell junction voltage is the current in a photovoltaic device.

Minority carrier lifetime: The average time a minority carrier exists before recombination.

Mixed oxide fuel (MOX): Reactor fuel which consists of both uranium and plutonium oxides, usually about 5% Pu, which is the main fissile component.

Moderator: A material such as light or heavy water or graphite used in a reactor to slow down fast neutrons by collision with lighter nuclei so as to expedite further fission.

Module: See 'Photovoltaic Module.'

Monolithic: Fabricated as a single structure.

Multicrystalline: Material that is solidified at such a rate that many small crystals (crystallites) form. The atoms within a single crystallite are symmetrically arranged, whereas crystallites are jumbled together. These numerous grain boundaries reduce the device efficiency. A material composed of variously oriented, small individual crystals. (Sometimes referred to as polycrystalline or semicrystalline).

Multijunction device: A photovoltaic device containing two or more cell junctions, each of which is optimized for a particular part of the solar spectrum, to achieve greater overall efficiency.

N

Natural uranium: Uranium with an isotopic composition as found in nature, containing 99.3% U-238, 0.7% U-235 and a trace of U-234. Can be used as fuel in heavy water-moderated reactors.

Neutron: An uncharged elementary particle found in the nucleus of every atom except hydrogen. Solitary mobile neutrons traveling at various speeds originate from fission reactions. Slow (thermal) neutrons can in turn readily cause fission in nuclei of "fissile" isotopes, e.g., U-235, Pu-239, U-233; and fast neutrons can cause fission in nuclei of "fertile" isotopes such as U-238, Pu-239. Sometimes atomic nuclei simply capture neutrons.

Noninductive Circuit: A circuit in which the magnetic effect of the current flowing has been reduced by one several methods to a minimum or to zero.

Nonlinear Load: A load where the wave shape of the steady state current does not follow the wave shape of the applied voltage.

Nonrenewable fuels: Fuels that cannot be easily made or "renewed." We can use up nonrenewable fuels. Oil, natural gas, and coal are nonrenewable fuels.

N-type semiconductor: A semiconductor produced by doping an intrinsic semiconductor with an electron-donor impurity (e.g., phosphorous in silicon).

Nuclear energy: Energy that comes from splitting atoms of radioactive materials, such as uranium.

Nuclear reactor: A device in which a nuclear fission chain reaction occurs under controlled conditions so that the heat yield can be harnessed or the neutron beams utilized. All commercial reactors are thermal reactors, using a moderator to slow down the neutrons.

O

"O" RING: A doughnut-shaped ring of rubber used as a seal around the periphery of the mating insulator interface of cylindrical connectors.

Ohm: The derived SI unit for electrical resistance or impedance; one ohm equals one volt per ampere.

Ohmmeter: an instrument for measuring resistance in ohms.

Oil: A black liquid fossil fuel found deep in the Earth. Gasoline and most plastics are made from oil.

Oil Circuit Breakers: Oil circuit breakers are used to switch circuits and equipment in and out of a system in a substation. They are oil filled to provide cooling and to prevent arcing when the switch is activated.

One-axis tracking: A system capable of rotating about one axis.

Open-circuit voltage (Voc): The maximum possible voltage across a photovoltaic cell or module; the voltage across the cell in sunlight when no current is flowing.

Overcurrent: Any current in excess of the rated current of equipment or the ampacity of a conductor. It may result from overload, short circuit or ground fault.

Overload: Load greater than the load for which the system or mechanism was intended. A fault, such as a short circuit or ground fault, is not an overload.

Oxide fuels: Enriched or natural uranium in the form of the oxide UO_2 , used in many types of reactor.

Packing factor: The ratio of array area to actual land area or building envelope area, for a system; or, the ratio of total Photovoltaic cell area to the total module area, for a module.

Panelboard: A single panel or group of panel units designed for assembly in the form of a single panel: includes buses and may come with or without switches and/or automatic overcurrent protective devices for the control of light, heat, or power circuits of individual as well as aggregate capacity. It is designed to be placed in a cabinet or cutout box that is in or against a wall or partition and is accessible only from the front.

Parallel connection: A way of joining two or more electricity-producing devices (i.e., Photovoltaic cells or modules) by connecting positive leads together and negative leads together; such a configuration increases the current.

Passivation: A chemical reaction that eliminates the detrimental effect of electrically reactive atoms on a photovoltaic cell's surface.

Passive solar home: A house that uses a room or another part of the building as a solar collector.

Peak load; Peak demand: The maximum load, or usage, of electrical power occurring in a given period of time, typically a day.

Peak power: Power generated by a utility unit that operates at a very low capacity factor; generally used to meet short-lived and variable high demand periods.

Peak watts (Wp): See 'Photovoltaic peak watt.'

Phosphorous (P): A chemical element, atomic number 15, used as a dopant in making n-semiconductor layers.

Photocurrent: An electric current induced by radiant energy.

Photoelectrochemical cell: A special kind of photovoltaic cell in which the electricity produced is used immediately within the cell to produce a useful chemical product, such as hydrogen. The product material is continuously withdrawn from the cell for direct use as a fuel or as an ingredient in making other chemicals, or it may be stored and used subsequently.

Photon: A particle of light that acts as an individual unit of energy.

Photovoltaic (Photovoltaic): Pertaining to the direct conversion of light into electricity.

Photovoltaic (Photovoltaic) array: An interconnected system of Photovoltaic modules that function as a single electricity-producing unit. The modules are assembled as a discrete structure, with common support or mounting. In smaller systems, an array can consist of a single module.

Photovoltaic (Photovoltaic) cell: The smallest semiconductor element within a Photovoltaic module to perform the immediate conversion of light into electrical energy (dc voltage and current).

Photovoltaic (Photovoltaic) conversion efficiency: The ratio of the electric power produced by a photovoltaic device to the power of the sunlight incident on the device.

Photovoltaic (Photovoltaic) device: A device that converts light directly into DC electricity.

Photovoltaic (Photovoltaic) efficiency: The ratio of electric power produced by a cell at any instant to the power of the sunlight striking the cell.

Photovoltaic (Photovoltaic) generator: The total of all Photovoltaic strings of a Photovoltaic power supply system, which are electrically interconnected.

Photovoltaic (Photovoltaic) module: The smallest environmentally protected, essentially planar assembly of solar cells and ancillary parts, such as interconnections, terminals, [and protective devices such as diodes] intended to generate DC power under unconcentrated sunlight. The structural (load carrying) member of a module can either be the top layer (superstrate) or the back layer (substrate).

Photovoltaic (Photovoltaic) panel: often used interchangeably with Photovoltaic module (especially in one-module systems), but more accurately used to refer to a physically connected

collection of modules (i.e., a laminate string of modules used to achieve a required voltage and current).

Photovoltaic (Photovoltaic) peak watt: Maximum "rated" output of a cell, module, or system. Typical rating conditions are 0.645 watts per square inch (1000 watts per square meter) of sunlight, 68 degrees F (20 degrees C) ambient air temperature and 6.2×10^{-3} mi/s (1 m/s) wind speed.

Photovoltaic (Photovoltaic) system: A complete set of components for converting sunlight into electricity by the photovoltaic process, including the array and balance of system components.

Photovoltaic-thermal (Photovoltaic/T) system: A photovoltaic system that, in addition to converting sunlight into electricity, collects the residual heat energy and delivers both heat and electricity in usable form. Also called a total energy system.

Physical vapor deposition: A method of depositing thin semiconductor films. With this method, physical processes, such as thermal evaporation or bombardment of ions, are used to deposit elemental semiconductor material on a substrate.

Plenum: Chamber or space forming a part of an air conditioning system.

Plutonium: A transuranic element, formed in a nuclear reactor by neutron capture. It has several isotopes, some of which are fissile and some of which undergo spontaneous fission, releasing neutrons. Weapons-grade plutonium is produced in special reactors to give >90% Pu-239, reactor-grade plutonium contains about 30% non-fissile isotopes. About one third of the energy in a light water reactor comes from the fission of Pu-239, and this is the main isotope of value recovered from reprocessing spent fuel.

P-i-n: A semiconductor device structure that layers an intrinsic semiconductor between a p-type semiconductor and an n-type semiconductor; this structure is most often used with amorphous silicon devices.

P/n: A semiconductor device structure in which the junction is formed between a p-type layer and an n-type layer.

Point-contact cell: A high efficiency silicon concentrator cell that employs light trapping techniques and point-diffused contacts on the rear surface for current collection.

Polycrystalline: See 'Multicrystalline.'

Potential Transformers: Potential transformers are required to provide accurate voltages for meters used for billing industrial customers or utility companies

Potheads: A type of insulator with a bell or pot-like shape used to connect underground electrical cables to overhead lines. It serves to separate the bunched-up conductors from one another in the cable to the much wider separation in the overhead line. It also seals the cable end from the weather.

Power conditioning equipment: Electrical equipment, or power electronics, used to convert power from a photovoltaic array into a form suitable for subsequent use. A collective term for inverter, converter, battery charge regulator, and blocking diode.

Power density: The ratio of the power available from a battery to its mass (W/kg) or volume (W/l).

Power factor: The ratio of the average power and the apparent volt-amperes.

Power Generation Plants: A facility designed to produce electric energy from another form of energy, such as fossil fuel, nuclear, hydroelectric, geothermal, solar thermal, and wind.

Power Line Carrier: A device for producing radio-frequency power for transmission on power lines.

Power Transformers: Transformers raise or lower the voltage as needed to serve the transmission or distribution circuits.

Pressurized water reactor (PWR): The most common type of light water reactor (LWR), it uses water at very high pressure in a primary circuit and steam is formed in a secondary circuit.

Primary Circuits: These are the distribution circuits that carry power from substations to local load areas. They are also called express feeders or distribution main feeders. The distribution feeder bay routes power from the substation to the distribution primary feeder circuits.

Projected area: The net south-facing glazing area projected on a vertical plane.

Protective Equipment: Equipment in a distribution system such as protective relays, cutout switches, disconnect switches, lightning arresters, and fuses. These all work in concert to open circuits whenever a short circuit, lightning strikes or other disruptive event occurs.

P-type semiconductor: A semiconductor in which holes carry the current; produced by doping an intrinsic semiconductor with an electron acceptor impurity (e.g., boron in silicon).

Pulse-width-modulated (pwm) wave inverter (PWM): PWM inverters are the most expensive, but produce a high quality of output signal at minimum current harmonics. The output voltage is very close to sinusoidal.

Q

Quad: A measure of energy equal to one trillion Btus; an energy equivalent to approximately 172 million barrels of oil.

Qualified employee (qualified person): One knowledgeable in the construction and operation of the electric power generation, transmission, and distribution equipment involved, along with the associated hazards.

Note 1: An employee must have the training required by 1910.269 in order to be considered a qualified employee.

Note 2: Except as provided in 1910.260, an employee who is undergoing on-the-job training and who, in the course of such training, has demonstrated an ability to perform duties safely at his or her level of training and who is under the direct supervision of a qualified person is considered to be a qualified person for the performance of those duties.

Qualification test (Photovoltaic): A procedure applied to a selected set of Photovoltaic modules involving the application of defined electrical, mechanical, or thermal stress in a prescribed manner and amount. Test results are subject to a list of defined requirements.

Quick Disconnect: A type of connector shell that permits rapid locking and unlocking of two connector halves.

Quick Disconnect Coupling: A design feature, apparent in the quick disconnect connector; it permits relatively rapid joining and separation.

R

Radiation: The emission and propagation of energy by means of electromagnetic waves or particles.

Radioactive waste: Radioactive materials left over from making nuclear energy. Radioactive waste can harm people and the environment if it is not stored safely.

Radioactivity: The spontaneous decay of an unstable atomic nucleus, giving rise to the emission of radiation.

Radionuclide: A radioactive isotope of an element.

Radiotoxicity: The adverse health effect of a radionuclide due to its radioactivity.

Radium: A radioactive decay product of uranium often found in uranium ore. It has several radioactive isotopes. Radium-226 decays to radon-222.

Radon (Rn): A heavy radioactive gas given off by rocks containing radium (or thorium). Rn-222 is the main isotope.

Radon daughters: Short-lived decay products of radon-222 (Po-218, Pb-214, Bi-214, Po-214).

Rainproof: So constructed, projected, or treated as to prevent rain from interfering with the successful operation of the apparatus under specified test conditions.

Raintight: So constructed or protected that exposure to a beating rain will not result in the entrance of water.

Rated Voltage: The maximum voltage at which an electric component can operate for extended periods without undue degradation or safety hazard.

Recombination: The action of a free electron falling back into a hole. Recombination processes are either radiative, where the energy of recombination results in the emission of a photon, or non-radiative, where the energy of recombination is given to a second electron which then relaxes

back to its original energy by emitting phonons. Recombination can take place in the bulk of the semiconductor, at the surfaces, in the junction region, at defects, or between interfaces.

Rectifiers: A rectifier is a device used to convert alternating current to direct current.

Recycling: A way to reuse materials instead of just throwing them away.

Recycle mark: A design of three arrows that make up a circle. This mark tells you that you can recycle the product. It can also mean that the material is made from recycled materials.

Relays: A relay is a low-powered device used to activate a high-powered device. Relays are used to trigger circuit breakers and other switches in substations and transmission and distribution systems.

Remote systems: Systems off of the utility grid.

Renewable fuels: Fuels that can be easily made or "renewed." We can never use up renewable fuels. Types of renewable fuels are solar, wind, and hydropower energy.

RES: Acronym for the Residential Experiment Stations.

Reserve capacity: The amount of generating capacity a central power system must maintain to meet peak loads.

Resistive voltage drop: The voltage developed across a cell by the current flow through the resistance of the cell.

Reactor pressure vessel: The main steel vessel containing the reactor fuel, moderator and coolant under pressure.

Repository: A permanent disposal place for radioactive wastes.

Reprocessing: Chemical treatment of spent reactor fuel to separate uranium and plutonium from the small quantity of fission product, waste products and transuranic elements, leaving a much reduced quantity of high-level waste.

Ribbon: A thin sheet of crystalline or multi-crystalline material, such as silicon, produced in a continuous process by withdrawal from a molten bath of the parent material.

Riser: A riser is a power line pole that connects an overhead system to an underground system. A riser has a conduit from the ground up the pole where potheads are used to connect to the overhead lines.

Satellite power system (SPS): Concept for providing large amounts of electricity for use on the Earth from one or more satellites in geosynchronous Earth orbit. A very large array of solar cells on each satellite would provide electricity, which would be converted to microwave energy and beamed to a receiving antenna on the ground. There, it would be reconverted into electricity and distributed the same as any other centrally generated power, through a grid.

Saturation Temperature: The boiling point of a liquid, or the temperature at which the liquid vapor pressure is equal to the total local pressure. The saturation temperature for water at atmospheric pressure is 212°F (100°C).

Schottky barrier: A cell barrier established as the interface between a semiconductor, such as silicon, and a sheet of metal.

Scribing: The cutting of a grid pattern of grooves in a semiconductor material, generally for the purpose of making interconnections.

Seasonal energy-efficiency ratio (SEER): The ratio of the total seasonal cooling requirement (measured in Btu) to the total seasonal watt-hours (Wh) of energy used, expressed in terms of Btu/Wh. (The SEER rating equals 3.413 times the seasonal COP.)

Secondaries: These are the conductors originating at the low-voltage secondary winding of a distribution transformer

Segregation: The interposing of a fire and explosion-resistant barrier between the combustible particulate solid process and other operations.

Semiconductor: Any material that has a limited capacity for conducting an electric current. Certain semiconductors, including silicon, gallium arsenide, copper indium diselenide, and cadmium telluride, are uniquely suited to the photovoltaic conversion process.

Self discharge: The rate at which a battery, without a load, will lose its charge.

Separation: The interposing of distance between the combustible particulate solid process and other operations that are in the same room.

Separately Derived System: A premises wiring system whose power is derived from a battery, a solar photovoltaic system, or from a generator, transformer, or converter windings, and that has no direct electrical connection, including solidly connected grounded circuit conductor, to supply conductors originating in another system.

Separative Work Unit (SWU): This is a complex unit which is a function of the amount of uranium processed and the degree to which it is enriched, i.e., the extent of increase in the concentration of the U-235 isotope relative to the remainder. The unit is strictly: Kilogram Separative Work Unit, and it measures the quantity of Separative work (indicative of energy used in enrichment) when feed and product quantities are expressed in kilograms, e.g., to produce one kilogram of uranium enriched to 3.5% U-235 requires 4.3 SWU if the plant is operated at a tails assay 0.30%, or 4.8 SWU if the tails assay is 0.25% (thereby requiring only 7.0 kg instead of 7.8 kg of natural U feed).

About 100-120,000 SWU is required to enrich the annual fuel loading for a typical 1000 MWe light water reactor. Enrichment costs are related to electrical energy used. The gaseous diffusion process consumes some 2400 kWh per SWU, while gas centrifuge plants require only about 60 kWh/SWU.

Series connection: A way of joining circuits by connecting positive leads to negative leads; such a configuration increases the voltage.

Series regulator: Type of battery charge regulator where the charging current is controlled by a switch connected in series with the Photovoltaic module or array.

Series resistance: Parasitic resistance to current flow in a cell due to mechanisms such as resistance from the bulk of the semiconductor material, metallic contacts, and interconnections.

Service Drop: Run of cables from the power company's aerial power lines to the point of connection to a customer's premises.

Service Conductors: The supply conductors that extend from the street main or transformers to the service equipment of the premises being supplied.

Service Entrance Conductors: (Overhead) The service conductors between the terminals of the service equipment and a point usually outside the building, clear of building walls, where they are joined by tap or splice to the service drop.

Service Entrance Conductors: (Underground) The service conductors between the terminals of the service equipment and the point of connection to the service lateral.

Service Equipment: The necessary equipment, usually consisting of a circuit breaker or switch and fuses and their accessories, located near the point entrance of supply conductors to a building and intended to constitute the main control and cutoff means for the supply to the building.

Service Lateral: The underground service conductors between the street main, including any risers at a pole or other structure or from transformers, and the first point of connection to the service-entrance conductors in a terminal box, meter, or other enclosure with adequate space, inside or outside the building wall. Where there is no terminal box, meter, or other enclosure with adequate space, the point of connection is the entrance point of the service conductors into the building.

Service Point: The point of connection between the facilities of the serving utility and the premises wiring.

Services: The wires extending from the secondaries or distribution transformer to a customer's location are called a service. A service can be above or below ground.

SF₆ Circuit Breakers: These operate to switch electric circuits and equipment in and out of the system. These circuit breakers are filled with compressed sulfur-hexafluoride gas which acts to open and close the switch contacts

Shield: Device surrounding that portion of a connector that is used for attaching wires or cables to shield against electromagnetic interference, and/or protect connector wires or cable from mechanical damage.

Shelf life of batteries: The length of time, under specified conditions, that a battery can be stored so that it keeps its guaranteed capacity.

Short-circuit current (I_{sc}): The current flowing freely from a photovoltaic cell through an external circuit that has no load or resistance; the maximum current possible.

Shunt Reactors: These are used in an extra high-voltage substation to neutralize inductive reactance in long EHV transmission lines.

Shunt regulator: Type of a battery charge regulator where the charging current is controlled by a switch connected in parallel with the Photovoltaic generator. Overcharging of the battery is prevented by shorting the Photovoltaic generator.

Siemens process: A commercial method of making purified silicon.

Silicon (Si): A chemical element, atomic number 14, semi-metallic in nature, dark gray, an excellent semiconductor material. A common constituent of sand and quartz (as the oxide). Crystallizes in face-centered cubic lattice like a diamond. The most common semiconductor material used in making photovoltaic devices.

Sine wave inverter: An inverter that produces utility-quality, sine wave power forms.

Single-crystal material: A material that is composed of a single crystal or a few large crystals.

Sievert (Sv): Unit indicating the biological damage caused by radiation. One Joule of beta or gamma radiation absorbed per kilogram of tissue has 1 Sv of biological effect; 1 J/kg of alpha radiation has 20 Sv effect and 1 J/kg of neutrons has 10 Sv effect.

Spent fuel: Fuel assemblies removed from a reactor after use.

Stable: Incapable of spontaneous radioactive decay.

Solar cell: See 'Photovoltaic cell.'

Solar constant: The strength of sunlight; 1353 watts per square meter in space and about 1000 watts per square meter at sea level at the equator at solar noon.

Solar energy: Energy from the sun. The heat that builds up in your car when it is parked in the sun is an example of solar energy.

Solar-grade silicon: Intermediate-grade silicon used in the manufacture of solar cells. Less expensive than electronic-grade silicon.

Solar noon: That moment of the day that divides the daylight hours for that day exactly in half. To determine solar noon, calculate the length of the day from the time of sunset and sunrise and divide by two.

Solar spectrum: The total distribution of electromagnetic radiation emanating from the sun.

Solar thermal electric: Method of producing electricity from solar energy by using focused sunlight to heat a working fluid, which in turn drives a turbogenerator.

Spinning reserve: Utility generating capacity on-line and running at low power in excess of actual load.

Split-spectrum cell: A compound photovoltaic device in which sunlight is first divided into spectral regions by optical means. Each region is then directed to a different photovoltaic cell optimized for converting that portion of the spectrum into electricity. Such a device achieves significantly greater overall conversion of incident sunlight into electricity. See 'multijunction device.'

Sputtering: A physical vapor deposition process where high-energy ions are used to bombard elemental sources of semiconductor material, which eject vapors of atoms that are then deposited in thin layers on a substrate.

Square wave inverter: The inverter consists of a DC source, four switches, and the load. The switches are power semiconductors that can carry a large current and withstand a high voltage rating. The switches are turned on and off at a correct sequence, at a certain frequency. The square wave inverter is the simplest and the least expensive to purchase, but it produces the lowest quality of power.

Staebler-Wronski effect: The tendency of amorphous silicon photovoltaic devices to lose efficiency upon initial exposure to light; named for Dr. David Staebler and Dr. Christopher Wronski; work performed at RCA.

Standardized: For a lockout or tagout device to be standardized they must all be similar in at least one of the following ways: color, shape, size. Additionally, in the case of tagout devices, print and format should also be similar.

Stand-alone (Photovoltaic system): An autonomous or hybrid photovoltaic system not connected to a grid. May or may not have storage, but most stand-alone systems require batteries or some other form of storage.

Stand-off mounting: Technique for mounting a photovoltaic array on a sloped roof, which involves mounting the modules a short distance above the pitched roof and tilting them to the optimum angle.

Standard reporting conditions (SRC): A fixed set of conditions (including meteorological) to which the electrical performance data of a photovoltaic module are translated from the set of actual test conditions.

Standard test conditions (STC): Conditions under which a module is typically tested in a laboratory: (1) Irradiance intensity of 1000 W/square meter (0.645 watts per square inch), AM1.5 solar reference spectrum, and (3) a cell (module) temperature of 25 degrees C, plus or minus 2 degrees C (77 degrees F, plus or minus 3.6 degrees F).

State of charge (SOC): The available capacity remaining in the battery, expressed as a percentage of the rated capacity.

Steel Superstructures: Steel superstructures are used to support equipment, lines, and switches in substations as well as transmission and distribution line towers and poles.

Step bolt: A bolt or rung attached at intervals along a structural member and used for foot placement during climbing or standing.

Step Potential: The voltage between the feet of a person standing near an energized grounded object. It is equal to the difference in voltage, given by the voltage distribution curve, between two points at different distances from the "electrode". A person could be at risk of injury during a fault simply by standing near the grounding point.

Substrate: The physical material upon which a photovoltaic cell is made.

Substations: A high-voltage electric system facility. It is used to switch generators, equipment, and circuits or lines in and out of a system. It also is used to change AC voltages from one level to another, and/or change alternating current to direct current or direct current to alternating current.

Step-up Transmission Substation: Receives electric power from a nearby generating facility and uses a large power transformer to increase the voltage for transmission to distant locations.

Step-down Transmission Substation: These substations are located at switching points in an electrical grid. They connect different parts of a grid and are a source for subtransmission lines.

Distribution Substation: These are located near to the end-users. Distribution substation transformers change the subtransmission voltage to lower levels for use by end-users.

Underground Distribution Substation: These are also located near to the end-users. Distribution substation transformers change the subtransmission voltage to lower levels for use by end-users.

Sulfation: A condition that afflicts unused and discharged batteries; large crystals of lead sulfate grow on the plate, instead of the usual tiny crystals, making the battery extremely difficult to recharge.

Sunspace: A room that faces south, or a small structure attached to the south side of a house.

Sun tempering: A sun-tempered building is elongated in the east-west direction, with the majority of the windows on the south side. The area of the windows is generally limited to about 7% of the total floor area. A sun-tempered design has no added thermal mass beyond what is already in the framing, wall board, and so on. Insulation levels are generally high.

Superconducting magnetic energy storage (SMES): SMES technology uses the superconducting characteristics of low-temperature materials to produce intense magnetic fields to store energy. SMES has been proposed as a storage option to support large-scale use of photovoltaics and wind as a means to smooth out fluctuations in power generation.

Superconductivity: The pairing of electrons in certain materials when cooled below a critical temperature, causing the material to lose all resistance to electricity flow. Superconductors can carry electric current without any energy losses.

Superstrate: The covering on the sun side of a photovoltaic module, providing protection for the photovoltaic materials from impact and environmental degradation while allowing maximum transmission of the appropriate wavelengths of the solar spectrum.

Supervisory Control: Supervisory control refers to equipment that allows for remote control of a substation's functions from a system control center or other point of control.

Suspension Insulators: An insulator type usually made of porcelain that can be stacked in a string and hangs from a cross arm on a tower or pole and supports the line conductor.

Switches: Distribution systems have switches installed at strategic locations to redirect power flows for load balancing or sectionalizing

Switchboard: A large single panel, frame, or assembly of panels having switches, overcurrent, and other protective devices, buses, and usually instruments mounted on the face or back or both. Switchboards are generally accessible from the rear and from the front and are not intended to be installed in cabinets.

Switch, general use: A switch intended for use in general distribution and branch circuits. It is rated in amperes and is capable of interrupting its rated voltage.

Switch, general-use snap: A type of general-use switch so constructed that it can be installed in flush device boxes or on outlet covers, or otherwise used in conjunction with wiring systems recognized by the National Electric Code.

Switch, isolating: A switch intended for isolating an electrical circuit from the source of power. It has no interrupting rating and is intended to be operated only after the circuit has been opened by some other means.

Switch, knife: A switch in which the circuit is closed by a moving blade engaging contact clips.

Switch, motor-circuit: A switch, rated in horsepower, capable of interrupting the maximum operating overload current of a motor of the same horsepower rating as the switch at the rated voltage.

Switch, transfer: A transfer switch is an automatic or non-automatic device for transferring one or more load conductor connections from one power source to another.

Switch-Leg: That part of a circuit run from a lighting outlet box where a luminaire or lampholder is installed down to an outlet box that contains the wall switch that turns the light or other load on or off: it is a control leg of the branch circuit.

Synchronous Condensers: A synchronous condenser is a synchronous machine running without mechanical load and supplying or absorbing reactive power to or from a power system. Also called a synchronous capacitor, synchronous compensator or rotating machinery.

System operator: A qualified person designated to operate the system or its parts.

T

Tails: Depleted uranium, with about 0.3% U-235.

Tailings: Ground rock remaining after particular ore minerals (e.g., uranium oxides) are extracted.

Thermal electric: Electric energy derived from heat energy, usually by heating a working fluid, which drives a turbogenerator. See 'solar thermal electric.'

Thermal mass: Materials that store heat within a sunspace or solar collector.

Thermal reactor: A reactor in which the fission chain reaction is sustained primarily by slow neutrons, and hence requiring a moderator (as distinct from Fast Neutron Reactor).

Thermal Shock: Thermal shock is the effect of heat or cold applied at such a rate that non-uniform thermal expansion or contraction occur within a given material or combination of materials. In connectors, the effect can cause inserts and other insulation materials to pull away from metal parts.

Thermal storage walls (masonry or water): A thermal storage wall is a south-facing wall that is glazed on the outside. Solar heat strikes the glazing and is absorbed into the wall, which conducts the heat into the room over time. The walls are at least 8 in thick. Generally, the thicker the wall, the less the indoor temperature fluctuates.

Thermophotovoltaic (TPV) device: A device that converts secondary thermal radiation, re-emitted by an absorber or heat source, into electricity; The device is designed for maximum efficiency at the wavelength of the secondary radiation.

Thick-crystalline materials: Semiconductor material, typically measuring from 200-400 microns thick, that is cut from ingots or ribbons.

Thin film: A layer of semiconductor material, such as copper indium diselenide, cadmium telluride, gallium arsenide, or amorphous silicon, a few microns or less in thickness, used to make photovoltaic cells.

III-V (three-five) materials: Elemental materials that occupy groups III and V of the Periodic

Tin oxide: A wide band-gap semiconductor similar to indium oxide; used in heterojunction solar cells or to make a transparent conductive film, called NESA glass when deposited on glass.

Touch potential: The voltage between the energized object and the feet of a person in contact with the object. It is equal to the difference in voltage between the object and a point some distance away. It should be noted that the touch potential could be nearly the full voltage across

the grounded object if that object is grounded at a point remote from the place where the person is in contact with it. For example, a crane that was grounded to the system neutral and that contacted an energized line would expose any person in contact with the crane or its uninsulated load line to a touch potential nearly equal to the full fault voltage.

Total energy system: See 'photovoltaic-thermal system.'

Total harmonic distortion (thd): The measure of closeness in shape between a waveform and its fundamental component.

Total internal reflection: The trapping of light by refraction and reflection at critical angles inside a semiconductor device so that it cannot escape the device and must eventually be absorbed by the semiconductor.

Tracking Photovoltaic array: Photovoltaic array that follows the path of the sun to maximize the solar radiation incident on the Photovoltaic surface. The two most common orientations are (1) one axis where the array tracks the sun east to west and (2) two-axis tracking where the array points directly at the sun at all times. Tracking arrays use both the direct and diffuse sunlight. Two-axis tracking arrays capture the maximum possible daily energy.

Transformer: Converts the generator's low-voltage electricity to higher voltage levels for transmission to the load center, such as a city or factory.

Transformer - Underground: An underground transformer is essentially the same as an aboveground transformer, but is constructed for the particular needs of underground installation.

Transformer Vault: A transformer vault is an underground structure or room in which power transformers, network protectors, voltage regulators, circuit breakers, meters, etc. are housed.

Transmission Bus: Transmission buses are steel structure arrays of switches used to route power in a substation.

Transmission lines: Transmit high-voltage electricity from the generation source or substation to another substation in the electric distribution system.

Overhead Transmission Lines: Overhead AC transmission lines share one characteristic; they carry 3-phase current. The voltages vary according to the particular grid system they belong to. Transmission voltages vary from 69 kv up to 765 kv.

Subtransmission Lines: These lines carry voltages reduced from the major transmission line system, usually 69 kv.

Underground Transmission Lines: These lines are becoming more common, especially in highly populated area. They may be buried with no protection, or placed in conduit, trenches, or tunnels.

Transmutation: Changing atoms of one element into those of another by neutron bombardment, causing neutron capture.

Transuranic element: A very heavy element formed artificially by neutron capture and possibly subsequent beta decay(s). Has a higher atomic number than uranium (92). All are radioactive. Neptunium, plutonium, americium and curium are the best-known.

Trickle charge: A charge at a low rate, balancing through self-discharge losses, to maintain a cell or battery in a fully charged condition.

Tunneling: Quantum mechanical concept whereby an electron is found on the opposite side of an insulating barrier without having passed through or around the barrier.

Two-axis tracking: A system capable of rotating independently about two axes (e.g., vertical and horizontal).

U

Ultraviolet: Electromagnetic radiation in the wavelength range of 4 to 400 nanometers.

Uranium (U): A mildly radioactive element with two isotopes which are fissile (U-235 and U-233) and two which are fertile (U-238 and U-234). Uranium is the basic fuel of nuclear energy.

Uranium hexafluoride (UF₆): A compound of uranium which is a gas above 56°C and is thus a suitable form in which to enrich the uranium.

Uranium oxide concentrate (U₃O₈): The mixture of uranium oxides produced after milling uranium ore from a mine. Sometimes loosely called yellowcake. It is khaki in color and is usually represented by the empirical formula U₃O₈. Uranium is sold in this form.

Utility-interactive inverter: An inverter that can function only when tied to the utility grid, and uses the prevailing line-voltage frequency on the utility line as a control parameter to ensure that the Photovoltaic system's output is fully synchronized with the utility power.

V

Vac: Volts ac

Vacuum evaporation: The deposition of thin films of semiconductor material by the evaporation of elemental sources in a vacuum.

Vdc: Volts DC

Vmp: Voltage at maximum power

Voc: Open-circuit voltage

Vacuum Circuit Breakers: A vacuum circuit breaker utilizes a vacuum to extinguish arcing when the circuit breaker is opened and to act as a dielectric to insulate the contacts after the arc is interrupted.

Vacuum evaporation: Method of depositing thin coatings of a substance by heating it in a vacuum system.

Vacuum zero: The energy of an electron at rest in empty space; used as a reference level in energy band diagrams.

Valence band: The highest energy band in a semiconductor that can be filled with electrons.

Valence state; Valence level energy, bound state: Energy content of an electron in orbit about an atomic nucleus.

Vault: An enclosure, above or below ground, which personnel may enter and which is used for the purpose of installing, operating, or maintaining equipment or cable.

Vented vault: A vault that has provision for air changes using exhaust flue stacks and low level air intakes operating on differentials of pressure and temperature providing for airflow which precludes a hazardous atmosphere from developing.

Vertical multijunction cell (VMJ) : A compound cell made of different semiconductor materials in layers, one above the other. Sunlight entering the top passes through successive cell barriers, each of which converts a separate portion of the spectrum into electricity, thus achieving greater total conversion efficiency of the incident light. Also called a multiple junction cell. See 'multijunction device'; 'split-spectrum cell.'

Vitrification: The incorporation of high-level wastes into borosilicate glass, to make up about 14% of it by mass. It is designed to immobilize radionuclides in an insoluble matrix ready for disposal.

Volt (V): A unit of measure of the force, or 'push,' given the electrons in an electric circuit. One volt produces one ampere of current when acting on a resistance of one ohm.

Voltage: The effective (rms) potential difference between any two conductors or between a conductor and ground. Voltages are expressed in nominal values unless otherwise indicated. The nominal voltage of a system or circuit is the value assigned to a system or circuit of a given voltage class for the purpose of convenient designation. The operating voltage of the system may vary above or below this value.

Voltage at maximum power (Vmp): The voltage at which maximum power is available from a module.

Voltage Drop: The loss of voltage between the input to a device and the output from a device due to the internal impedance or resistance of the device. In all electrical systems, the conductors should be sized so that the voltage drop never exceeds 3% for power, heating, and lighting loads or combinations of these. Furthermore, the maximum total voltage drop for conductors for feeders and branch circuits combined should never exceed 5%.

Wafer: A thin sheet of semiconductor material made by mechanically sawing it from a single-crystal or multi-crystal ingot or casting.

Waste: Refers to radioactive wastes. High-level waste (HLW) is highly radioactive material arising from nuclear fission. It can be recovered from reprocessing spent fuel, though some

countries regard spent fuel itself as HLW. It requires very careful handling, storage and disposal. Low-level waste (LLW) is mildly radioactive material usually disposed of by incineration and burial.

Watertight: So constructed that water/moisture will not enter the enclosure under specified test conditions.

Watt (W): The unit of electric power, or amount of work (J), done in a unit of time. One ampere of current flowing at a potential of one volt produces one watt of power.

Watt-hour (Wh): See 'Kilowatt-hour.'

Waveform: The shape of the curve graphically representing the change in the ac signal voltage and current amplitude, with respect to time.

Warning Signs: Display signs warning unqualified persons to 'keep out' at entrances to rooms and spaces where hazards of high voltage are present.

Weatherproof: So constructed or protected that exposure to the weather will not interfere with successful operation.

Window: A wide band gap material chosen for its transparency to light. Generally used as the top layer of a photovoltaic device, the window allows almost all of the light to reach the semiconductor layers beneath.

Winston concentrator: A trough-type parabolic collector with one-axis tracking, developed by Roland Winston.

Work function: The energy difference between the Fermi level and vacuum zero. The minimum amount of energy it takes to remove an electron from a substance into the vacuum.

Yellowcake: Ammonium diuranate, the penultimate uranium compound in U_3O_8 production, but the form in which mine product was sold until about 1970. See also Uranium oxide concentrate.

Z

Zircaloy: Zirconium alloy used as a tube to contain uranium oxide fuel pellets in a reactor fuel assembly.

Zone refining: Method of purifying solid rods by means of melting narrow zones through the rods. These zones are slowly moved from one end of the rod to the other, sweeping out the impurities.

APPENDIX: GLOSSARY

B. FINANCIAL

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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.

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.

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.

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.

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

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.

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 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 CYCLE is the sequence of steps in preparing the financial statements for a given period.

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 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 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 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 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 deferred 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).

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 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.

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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.

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.

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.

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. 7

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 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.

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.

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.

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.

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.

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.

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.

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 losses; 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 - bankruptcy is not likely. If the Z-Score is 1.8 or less - bankruptcy is likely. A score between 1.8 and 3.0 is the gray area. Probabilities of bankruptcy within the above ranges are 95% for one year and 70% within two years. Obviously a higher Z-Score is desirable.

□ **MODEL A Z-SCORE** (For Private Manufacturer) Model A 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 is not likely, but 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 is not likely, but 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.

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.

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.

AP is Accounts Payable.

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

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.

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.

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.

ARR is an acronym for Accounting Rate of Return.

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.

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".

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.

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.

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.

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.

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

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

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.

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.

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 it 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: $365 / \text{inventory turnover}$.

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 SETTLEMENT PERIOD is calculated: For Debtors = $\text{Trade Debtors} \times 365 \text{ days} / \text{Credit Sales}$ For Creditors = $\text{Trade Creditors} \times 365 \text{ days} / \text{Credit Purchases}$.

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

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.

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

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 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.

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 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 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**.

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;

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

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.

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.

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 securities, 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.

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.

BILL AND HOLD see SHIP IN PLACE.

BILL AND HOLD INVENTORY see SHIP IN PLACE.

BILLINGS, in accounting, 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.

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.

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".

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.

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 acquisition cost of all inventory less liabilities associated with 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-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.

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.

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.

BR could be Backward Reporting or Bad Register.

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.

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 SALES see BREAK-EVEN POINT.

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

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.

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.

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

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.

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.

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 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 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 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 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.

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

BYLAWS are the provisions of corporate policies.

BY-PRODUCT is a joint product with main activity, usually of lesser value

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

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 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.

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.

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

CAPITAL BUDGET is the estimated amount planned to be expended for capital items in a given fiscal period. Capital items are fixed assets such as facilities and equipment, the cost of which is

normally written off over a number of fiscal periods. The capital budget, however, is limited to the expenditures that will be made within the fiscal year comparable to the related operating budgets

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

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 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.

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

CAPITAL OUTLAY see CAPITAL EXPENDITURE.

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

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.

CAP RATE see CAPITALIZATION RATE.

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.

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

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 any form of payment unconditionally accepted.

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

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 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 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 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 / 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 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.

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

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.

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.

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

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

CFO is an acronym for Chief Financial Officer. The CFO is the officer in a corporation responsible for handling funds, signing checks, the keeping of financial records, and financial planning for the company.

C.G.A. means Certified General Accountant.

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 backll 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.

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 REGISTER is the journal for recording payments by check.

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.

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.

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.

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 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.

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

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

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

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

COGS see COST OF GOODS SOLD

COGS (COST OF GOODS) RATIO = $\text{COGS} / \text{Total Sales}$.

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

COLLATERIALIZED 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.

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.

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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.

COMMERCIAL BANK is a financial institution that provides commercial banking services. A commercial bank accepts deposits, gives business loans and provides other services to businesses.

COMMERCIAL ATTACHÉ is a business and trade expert on the staff of a consulate or embassy. They are responsible for promoting exports of their country's goods and are an excellent source of help.

COMMERCIAL LOAN is a short-term business loan usually issued for a term of up to six months.

COMMERCIAL PAPER is short-term obligations with maturities ranging from 2 to 270 days issued by corporations, banks, or other borrowers to investors who have temporarily idle cash on hand. Commercial paper is usually unsecured and discounted.

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.

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

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

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

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.

COMPOSITE 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 $(\text{Current Value}/\text{Base Value})^{(1/\# \text{ of years})} - 1$.

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.

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.

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.

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.)

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.

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

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.

CONTINGENT LIABILITY is a liability that is dependent upon uncertain events that may occur in the future, e.g., 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.

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.

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

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.

CONTRIBUTED CAPITAL see PAID-IN-CAPITAL.

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

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

CONTROL ACCOUNT is an account that shows totals of amounts entered in a subsidiary ledger as an accounts payable *control account*, it would show the total that is detailed in the accounts payable subsidiary ledger.

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).

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

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.

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 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 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 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 is the tax payable by corporations.

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 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 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 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 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 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 any activity or item for which a separate measurement of cost is desired.

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

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

COST OF REVENUE see COST OF GOODS SOLD.

COST OF SALES see COST OF GOODS SOLD.

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

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

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 UNIT is a functional cost unit which establishes standard cost per workload element of activity, based on calculated activity ratios converted to cost ratios.

COUPON BONDS are unregistered bonds for which owners receive periodic interest payments by clipping a coupon from the bond and sending it to the issuer as evidence of ownership.

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.

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

C.P.A. means Certified Public Accountant.

CPFF is Cost Plus Fixed Fee.

CPI see CONSUMER PRICE INDEX.

CPT is Cost Per Thousand.

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

CRAT is an acronym for Charitable Remainder Annuity Trust.

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

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

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 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 TURNOVER = Average creditors / (Credit Sales / 365).

CREDIT SALES are merchandise or services sold on the promise to pay later.

CROWN CORPORATION is a corporation that has been established by a nation's government.

CRUT is an acronym for Charitable Remainder Unitrust.

CUMULATIVE PREFERRED STOCK is preferred stock which gives holder a right to dividends if they have not been paid in a given year.

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 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 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.

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.

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.

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.

D

DAC, in accounting, is an acronym for Deferred Acquisition Costs.

DATE DRAFT is a payment option draft that matures in a specified number of days after the date issued.

DATE OF RECORD is the date which determines which shareholders receive dividends.

DAYS CASH ON HAND is calculated: $\text{Cash}/[(\text{operating expense} - \text{depreciation expense})/365]$.

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 SALES OUTSTANDING (DSO) is the average collection period on accounts receivable for sales revenue.

DBA (doing business as) is a legal entity (sole proprietorship, partnership, corporation) conducting business under any chosen name for which a business license has been issued.

DCAA is the Defense Contract Audit Agency.

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

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 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.

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.

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 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 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.

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).

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 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.

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 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 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 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.

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

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

DEMAND DEPOSIT is a bank deposit from which withdrawals may be made without notice.

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.

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.

DEPRECIATED HISTORICAL COST (DHC) is the 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 life, 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 methodology 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 it 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 depreciation 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.

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.

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 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.

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 VALUATION is a valuation that is not an independent valuation.

DIRECT WRITE-OFF METHOD is a method of recognition of uncollectible accounts only when known to be such.

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

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

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

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.

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.

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

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

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

DISCRETIONARY 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.

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 legal termination of a business entity.

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.).

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 valuations 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 indicator 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 independently from the parent company.

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.

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

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.

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.

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.

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-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.

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.

DOWNSTREAM / UPSTREAM SALES see UPSTREAM / DOWNSTREAM SALES.

DPO is 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.

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.

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.'

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.

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."

E

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.

EARNING ASSET is an asset which provides income (e.g, rental property).

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 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 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.

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.

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 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 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 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.

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.

EFT see Electronic Funds Transfer.

ELECTRONIC FUNDS TRANSFER is a payment executed through computers.

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

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

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 government 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.

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.

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 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.

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.

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 FUNDING see EQUITY CAPITAL.

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 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.

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.

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 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.

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.

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 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.

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, in foreign exchange, refers to the degree to which a company is affected by exchange rate changes.

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 AUDIT is an audit conducted by an individual of 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.

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

F

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

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.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.

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.

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 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.

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.

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 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.

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 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.

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

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 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 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 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 REPORTING RELEASE (FRR), in the U.S., is the policy releases and pronouncements from the SEC (Securities Exchange Commission).

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.

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 VIABILITY is the ability of an entity to continue to achieve its operating objectives and fulfill its mission over the long term.

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.

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

FIXED 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 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 ensuing 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 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 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 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.

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.

FLP is Family Limited Partnership.

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 at which 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 onto 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.

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 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.

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.

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 —believll, —expectll, —anticipatell, —intendll, —estimatell, —assumell, —projectll 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.

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

FREE CASH FLOW is net income plus non-cash charges to income, specifically depreciation and amortization less capital expenditures, to sustain the basic business.

FREE TRADE AGREEMENT is an agreement between countries that will result, over an agreed period of time, in an elimination of duties for goods flowing between the signatories.

FREE TRADE ZONE (FTZ) is an area, usually a port of entry, designated by the country for duty-free entry of goods. As long as the goods do not go into the country from the FTZ, no duty is assessed. While in the FTZ, goods may be processed, packaged, serviced or displayed.

FREIGHT FORWARDER is an individual or firm that provides for the packing and shipping of merchandise. Generally they also assist with export and other documentation.

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.

FREQUENCY, in advertising, is the number of times you hope to reach your target audience through your advertising campaign.

FRF is an acronym for French Francs.

FRR see FINANCIAL REPORTING RELEASE.

FRS 19, in the UK, 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 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 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

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 comparison to its industry and it becomes clearer which the best investment choice is. See FUNDAMENTALS.

FUNDAMENTALS are factors which are —fundamentall 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.

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 FLOW is the funds generated from operations; normally expressed as 'cash flow from operations' or 'working capital from operations'.

FUTA see FEDERAL UNEMPLOYMENT TAX ACT.

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

G

GAAP see GENERALLY ACCEPTED ACCOUNTING PRINCIPLES.

G&A usually refers to the indirect overhead costs contained within the General and Administrative expense / cost categories (see also SG&A).

GAI is Guaranteed Annual Income.

GAO see GENERAL ACCOUNTING OFFICE.

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.

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.

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 ACCOUNTING 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.

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 is the record of all account entries.

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 accounting records that show all the financial statement accounts of a business.

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.

GILT is a bond issued by the UK government. Gilts are equivalent to a U.S. Treasury security.

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 MUTUAL FUND, also Bond Fund, is a mutual fund that can invest in stocks and bonds throughout the world. Such funds typically have a portion of their assets in American markets as well as Europe, Asia, and developing countries. Global funds differ from INTERNATIONAL MUTUAL FUNDS, which invest only in non-Canadian securities. The advantage of global funds is that the fund managers can buy stocks or bonds anywhere they think has the best opportunities for high returns. Thus if one market is underperforming, they can shift assets to markets with better potential. Though some global funds invest in both stocks and bonds, most funds specialize in either stocks or bonds.

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 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.

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).

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

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

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

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.

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 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 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 than 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 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 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**

H

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.

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, 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.

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-LOW METHOD 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.

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.

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 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.

I

IBA, among others, can mean: Individual Brokerage Account, Individually Billed Accounts, Institute of Business Appraisers, International Bar Association, or, International Business Advisors.

IBAN (International Bank Account Number) The **International Bank Account Number (IBAN)** is an internationally agreed system of identifying bank accounts across national borders to facilitate the communication and processing of cross border transactions with a reduced risk of

transcription errors. An IBAN uniquely identifies the account of a customer at a financial institution.

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.

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

IMMATERIALITY is of complete irrelevance requiring no further consideration.

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 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 IMPAIRED ASSETS.

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

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.

INCOME is money received by a person or organization because of effort (work), or from return on 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 STATEMENT see PROFIT AND LOSS STATEMENT.

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.

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. In business it usually is referencing a liability, e.g., incurring a loss or to incur a 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.

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.

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 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.

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.

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.

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.

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.

INTENSITY DRIVERS are used to directly charge for the resources used each time an activity is performed.

INTERCOMPANY 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.

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 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.

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

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 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 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 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 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.

INVENTORY TURNS (Period End) measures the ending 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.

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 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 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.

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.

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.

IVA TAX see IMPOSTA VALORE AGGIUNTO TAX

J

JCO is Justification for Continued Operation.

JIT see JUST IN TIME.

JOB COSTING is the allocation of all time, material and expenses to an individual project or job.

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.

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 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 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.

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.

K

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.

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

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

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

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

L

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.

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.

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

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-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.

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 ($0360 \times \$5,000.00 = \180.00)).

LEDGER is a book of accounts in which data from transactions recorded in journals are posted and thereby classified and summarized.

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.

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. **Accounting**

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.

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

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

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

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

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

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

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

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

LIBOR see LONDON INTERBANK OFFERED RATE.

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).

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.

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 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.

LIP ACCOUNT see LOAN-IN-PROCESS ACCOUNT.

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 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.

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.

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 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.

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.

LRIC is an acronym for Long Run Incremental Cost. A service costing methodology used primarily in the telecommunications industry.

LTM means Last Twelve Months

M

MACRS is Modified Accelerated Cost Recovery System.

MAINTENANCE is the activity involved in maintaining something in good working order. May include replacement of significant portions of the item(s) being maintained.

MALPRACTICE INSURANCE see E&O INSURANCE.

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 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 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.

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 CONCERN is an entity that derives its products for sale, thereby revenue, through the direct manufacture of those 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 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 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 CALL (Stocks) is a demand for additional funds because of adverse price movement in a stock.

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 infirmity, 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 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 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 capll.

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 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 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).

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

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.

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.

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.

MBO see MANAGEMENT BY OBJECTIVES.

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 ASSETS, usually, are those assets that are expected of having a useful life of between six months and two years of the present.

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

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 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.

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

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

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 disbursement 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.

MONETARY is anything pertaining to or having to do with money, money creation, money supply, and the government management of money

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. \$).

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.

MUD is Multi Unit Discount.

MULTIPLE same as *Price/Earnings Ratio*.

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.

N

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 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.

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 is an unconditional order or promise to pay an amount of money; it is easily transferable from one person to another, e.g. a check, promissory note, bearer bond, and draft (bill of exchange).

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, minus an 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.

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 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 DEBT is: debt + short term loans less cash on hand.

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

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

NET 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 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.

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.

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 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-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-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.

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.

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

NOPLAT is Net Operating Profit Less Adjusted Taxes.

NORMALIZED EARNINGS is earnings that have been adjusted in order to take into account the effect of cycles in the economy.

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.

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

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 ORGANIZATION see NONPROFIT ORGANIZATION.

NPV is an acronym for Net Present Value.

NRGT (Non-Resetable 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-Resetable Grand Total (NRGT). Updated

by all sales, this valuable audit figure may be selected by programmability to print on the Daily Business Report.

NTA can mean either Net Tangible Assets or Net Total Assets.

NWC is Net Working Capital.

O

OAC is On Approved Credit.

O&M is an acronym for either Operations & Maintenance or Operations & Management.

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.

OBLIGATION, in business, is a legal duty to pay or do something.

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 is Operating Cash Flow.

OCOR see OPPORTUNITY COST OF REVENUE.

OEM is an acronym for Original Equipment Manufacturer.

OFA is Oracle Flexible Architecture or Oracle Financial Accounting.

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 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 is not included in the lessee's balance sheet.

OFF-BALANCE SHEET LIABILITY 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.

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).

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.

OFFSOURCE, slang, is to outsource to an offshore location to primarily save on the cost of labor. See **OUTSOURCE**.

ON ACCOUNT is a partial payment made towards satisfaction of a debt.

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

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

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

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*

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 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 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 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.

ORGANIZATIONAL COSTS see ORGANIZATION COST.

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.

OUT-OF-POCKET are expenses requiring an outlay of cash in a given time period, e.g., payroll, advertising and other operating expenses, but not depreciation.

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 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.

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.

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 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.

OWNERS DRAW see PROPRIETORS DRAW.

OWNERS EQUITY see SHAREHOLDER'S EQUITY

OWN WORK CAPITALIZED represents the value of work performed for own purposes and capitalized as part of fixed assets.

P

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

PARENT COMPANY is a company of which others are subsidiaries.

P&L see PROFIT AND LOSS STATEMENT.

PARETO PRINCIPLE/LAW see 80-20 RULE.

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.

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 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 ON ACCOUNT see ON ACCOUNT.

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

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.

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.

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

PEGBBOARD 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 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.

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.

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

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.

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

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.

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 is an acronym for Private Investment in a Public Entity.

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 written or oral agreement to contribute cash or other assets.

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.

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.

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.

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 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.

POSTIVE 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.

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

PPI see PRODUCER PRICE INDEX.

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 of 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.

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

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.

PREPAID EXPENSES are amounts that are paid in advance to a vendor 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.

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.

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 is 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 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).

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 the amount of a loan, excluding interest, or the amount you invest, excluding income.

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

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.

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.

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 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.

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.

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 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 is operating profit minus all other expenses (net).

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

PROFIT MARGIN ON SALES is a profitability ratio calculated by dividing Net Income by Average Total Assets.

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

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

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

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.

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.

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.

PROPRIETORSHIP see SOLE PROPRIETORSHIP.

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 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.

PROX see PROXIMO.

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

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.

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

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 corporation's stock that is publicly traded and owned in the open market.

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.

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-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.

Q

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

QUALIFIED INVESTOR is

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.

QUANTATIVE INFORMATION is information relating to, or expressible in, terms of quantity.

QUARTERLY REPORT see INTERIM STATEMENT.

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.

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.

R

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

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.

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.

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.

REALIZATION PRINCIPLE is that revenue should be recognized at the time goods is sold and services are rendered.

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.

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.

RECIPROCAL INVESTMENT is primarily a protection measure between states (governments) that ensures that investment between two or more states is balanced.

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).

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

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.

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.

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.

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.

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

RELATED PARTY 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.

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.

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).

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 VALUE is a valuation similar to an adjusted book value analysis. Replacement value is different than liquidation value in that it 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 ADVERSELY AFFECT an entity's ability to fulfill future obligations with customers and/or the satisfaction of liabilities.

REPORTABLE SEGMENT is a business segment or geographical segment for which IAS 14 requires segment information to be reported.

REPORTING ENTITY is the legal entity for which financial reports are prepared and made available.

REPORTING PERIOD see ACCOUNTING PERIOD.

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.

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., $\text{Assets} - \text{Liabilities} - \text{Preferred Stock} = \text{Common Stock}$.

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 ASSETS are assets / resources which are restricted by legal or contractual requirements for use under specific circumstances or purposes.

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.

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.

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 measure 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 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

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 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 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 an outlay than only benefits the current business year. It is treated as an expense that is matched against revenues.

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 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 LINE OF CREDIT in commercial banking is a contractual agreement between a bank and, usually, a company where the bank agrees to provide loans up to a specified maximum over a specified period, usually a year or more. In consumer banking, it is a loan account requiring monthly payments less than the full amount of the loan, and the balance is carried forward with a finance charge on that balance.

REVOLVING FINANCING is financing secured by collateral.

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

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

RFP is Request for Proposal.

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.

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 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.

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.

S

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.

SALES CONTRACT see SALES ORDER.

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

SALES / RECEIVABLES (Receivables Turnover) is a ratio that measures the number of times trade Receivables turn over during the year. 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.

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.

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.

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.

SDCF is Sales & Distribution Cash Flow.

SEC is the Securities Exchange Commission.

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.

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-CONSTRUCT ASSETS is the costs incurred to build it yourself.

SEMIVARIABLE 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.

SERIAL BOND is a bond issue in which the bonds mature periodically over a number of years.

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 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 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.

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.

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 OF RECORD is any individual or company that owns at least one share of stock of a corporation; 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 stock's 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: $\text{Sharpe ratio} = \frac{\text{Total portfolio return} - \text{Risk free rate}}{\text{Portfolio standard deviation}}$.

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 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.

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.

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.

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.

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).

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.

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.

SLR is an acronym with several possible meanings, e.g., Stock Level Report, Stock Level Requirement, System Level Requirement(s).

SMALL-CAP is a stock with a capitalization, meaning a total equity value, of less than \$500 million.

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 COSTS are those extraneous costs that are not readily foreseen or budgeted for, e.g. legal fees, loan fees and interest, etc.

SOLE PROPRIETOR is an individual 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 PROPRIETORSHIP.

SOLE PROPRIETORSHIP 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.

SOLVENCY is a company's long-term ability to meet all financial obligations.

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.

SPE see SPECIAL-PURPOSE ENTITY.

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-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 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-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.

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 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.

SRO is Self-Regulatory Organization.

STATEMENT OF AFFAIRS is the listing of a debtor's assets and liabilities sworn under oath by the debtor before a lawyer or designated legal/court entity.

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.

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 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.

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.

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 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 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.

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.

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 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.

STEAMSHIP CONFERENCE is an agreement between multiple shipping companies to provide common freight rates. Some shipping lines will state that they are —non-conferencell, 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.

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.

STOCKHOLDER see SHAREHOLDER.

STOCKHOLDER'S EQUITY see SHAREHOLDER'S EQUITY.

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.

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.

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 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.

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.

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.

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.

SUBSCRIPTION, in securities, is an agreement to buy a new issue of securities.

SUBSIDIARY is a company whose voting stock is more than 50% owned by another company.

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.

SUNK COST is the cost expended that cannot be retrieved on a product or service.

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.

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.

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.

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

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.

TAINTED ACCOUNTS RECEIVABLE is receivables that are considered to be legally suspect due to acts of fraud, misuse, or abuse.

TAKEOVER refers to one company (the acquirer) purchasing another (the target). Such events resemble mergers, but without the formation of a new company.

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 referring 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 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.

TARIFF, usually, a country's tax on imports. May sometimes refer to the rate of tax; and, is used interchangeably with the term —dutyll.

TARIFF, AD VAL OREM is a tariff determined as a percentage of the value of the goods.

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 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 SHELTER are legal methods taxpayers can use to reduce tax liabilities. An example is the use of depreciation of assets.

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: $\text{Value} = \frac{\text{Expected Cash Flow Next Period}}{(r - g)}$ 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.

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 is an acronym that could mean, among others, Total Income or Tenant Improvements.

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 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.

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.

TOBIN RATIO see MARKET TO BOOK VALUE.

TO DATE is prior to the current date.

TOP DOWN is a concept of analyzing a subject, such as costs or revenue, starting from the highest level working towards the bottom.

TOP-LINE of a company is its gross sales, or revenue figure.

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 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.

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 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.

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.

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 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 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.

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 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 \$10,000.

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 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 LEASE is a real property lease that requires the tenant to pay for all maintenance expenses, utilities, taxes, and insurance. 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 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

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 ENDORSEMENT, normally, is when two signatures are required to make a document or bank draft legal or authorized.

U

ULLAGE is the empty space present when a shipping container is not full.

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.

UNAUDITED OPINION is a qualified opinion by a Certified Public Accountant who has not audited the relevant financial statements.

UNBUDGETED are items and/or amounts that are currently not included within a budget.

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).

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.

UNEXPIRED means not having come to an end or been terminated by the passage of time.

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.

UNICAP see UNIFORM CAPITALIZATION RULES.

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.

UNIT-LEVEL ACTIVITY, in Activity Based Costing, is an activity that must be done for each unit of production.

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.

UNRESTRICTED ASSETS are assets / resources which are not restricted for use by legal or contractual requirements and may be used for any purpose.

UNSECURED is obligation backed not by collateral but only by the integrity of the borrower. Opposite of secured.

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).

USEFUL LIFE is the expected period of time, in years, during which a depreciating asset will be productive.

V

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.

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 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.

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.

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.).

VARIABLE EXPENSES are those business expenses that usually fluctuate dependent upon production or sales volume. Contrast with **FIXED EXPENSES**.

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.

VAT see **VALUE ADDED TAX**.

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 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.

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.

VIABILITY, in economics, is the capability of developing and surviving as a relatively independent social, economic or political unit.

VMI see VENDOR MANAGED INVENTORY.

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.

W

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.

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 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.

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.

WITHHOLDING TAX usually refers to those taxes that are withheld from an employee's compensation to account for that individual's 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 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 CAPITAL (WC) (the difference between current assets and current liabilities) measures the margin of protection for current creditors. It reflects the ability to finance current operations.

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 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.

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-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.

X

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

Y

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

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

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

Z

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

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

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

Z-SCORE see ALTMAN'S "Z-SCORE"