

Suite 1208 **CONTINUED FROM SUITE 1206 –**

GLOSSARY OF BUSINESS TERMINOLOGY

ESOT - Employee Share Ownership Trust.

ESP – Expected selling price.

EU – European Union.

Euro – The European single currency which has replaced national currencies in 25 EU member states.

ECB – The European Central Bank. Tries to maintain price stability within the Euro area and supports the general economic policies in the European Community.

Exchange rate – This is the value of one currency compared to another.

Factoring – A means of raising working capital against trade debtors.

FAS – Free alongside ship.

FAS – Financial accounting standards.

FATF – Financial Action Task Force.

FCA – Free carrier, a trade term – the seller delivers the goods cleared for export to the carrier nominated by the buyer at the named place.

FD – Finance director.

FED – Foreign earnings deduction

FICO – Financial Intermediaries and Claims Office.

FII – Franked investment income.

Financial accounts – The annual documents prepared by a company for presentation to the members and filing at Companies House. Consist of balance sheet, profit and loss account, statement of recognized gains and losses. When accompanied by the auditors' report and the directors' report they are known as the financial reports.

FOB – Free on board

Footsie (FTSE 100) – Financial Times (London) Stock Exchange top 100. This is the main UK share index representing the price of the top 100 shares. Other variations include FTSE 250 and FTSE All Share.

EPCS – Fixed profit care scheme.

FRA – Forward rate agreement.

FRED – Financial reporting exposure draft.

FRS – Financial reporting standard.

FRSSE – Financial reporting standard for smaller entities.

FSA – Financial Services Act.

FSA – Financial Services Authority.

SFAVC – Freestanding additional voluntary contributions.

FURBS – Funded unapproved retirement benefits scheme.

FX – Foreign exchange.

GAAP – Generally accepted accounting practice usually prefixed by letters to indicate the country referred to, eg UKGAAP, USGAAP.

GAT – Gross amount of tax.

Gearing – See debt to equity ratio.

Gilt edged securities – Fixed-interest bonds or security issued by the British Government.

GMP – Guaranteed minimum pension.

GPA – Group payment arrangement.

Great Britain – Includes England, Northern Ireland, Scotland and Wales, but not the Isle of Man or the Channel Islands.

Greenbury report – The report of the study group on director's remuneration 1995 – chaired by Sir Richard Greenbury.

Gross – Before deduction (of tax or discount). Net is after tax or discount.

Gross domestic product (GDP) – The value of the goods and services produced by a national economy over a particular period.

Gross profit – The value of invoiced sales – whether or not the money has been received – minus the direct costs of production. The costs are what you have used, not what you have bought. Gross profit is sometimes expressed as per cent on sales.

Hampel report – The report of the committee on corporate governance 1998 – chaired by Sir Ronald Hampel.

HASWA – Health and Safety at Work etc. Act 1974.

HICP – Harmonised index of consumer prices.

Hire purchase – A contract to hire goods for a specified period and at a fixed cost. If you pay all the instalments over the agreed period, the goods become your property. However, you may return the goods during the specified period, and not be held responsible for paying any future instalments.

HMCE – Her Majesty's Customs and Excise.

IASB – International Accounting Standards Board.

IBA – Industrial buildings allowance.

IBO – Investor buy out.

ICGN – International Corporate Governance Network.

ICSA – Institute of Chartered Secretaries and Administrators.

IEL – Individual export license.

IGU – Income generating unit.

IHT – Inheritance tax.

Indemnity – The basic principle of insurance. The payment received after an accident that leaves the insured party in the same financial position as they were before they suffered the loss.

Inflation – The term for general price increases.

Interest – The payment for the use of money, ie borrowed from a bank or other lender, expressed as a percentage rate for the period of time in use, generally an annual rate.

Interest cover – Where the lender looks at the number of times a borrower would be able to pay interest out of its earnings before interest and tax. It gives the bank a basic indication of whether the borrower would be able to pay their debts.

Interest rate – The cost of credit, expressed as a percentage rate.

Investment – Something people put their money into in order to make money.

Investment trusts – Companies quoted on the Stock Exchange, which invest in other companies' shares.

IP – Intellectual property.

IPA – Individual pension account.

IPC – Investor protection committees.

IPR – Independent professional review.

IPT – Insurance Premium Tax.

IR – Insolvency rules.

IRR – Internal rate of return.

ISA – Individual savings account.

ISEA – Institute of Social and Ethical Accountability.

ISP – Internet service provider.

ITSA – Individuals and trustees self assessment – also known as income tax self assessment.

IVU – Incentive valuation unit.

JIT – Just-in-time. A method of stock management.

JSA – Jobseeker's allowance.

Landfill tax – This tax aims to encourage waste producers to produce less waste, recover more value from waste, for example through recycling or composting and to use more environmentally friendly methods of waste disposal. The tax applies to active and inert waste, disposed of at a licensed landfill site.

LEL – Lower earnings limit. This is the amount of salary that an employee can be paid without having to pay National Insurance. (UK) Once the salary exceeds the LEL then National Insurance is due on the entire amount of salary.

Leasehold property – Property held under a lease.

LIBOR – London interbank offer rate. This is a key rate in international bank lending. LIBOR is the rate at which major banks in London are willing to lend Eurodollars to each other. LIBOR rates are based on daily quotes at 11 am (London time) from five major banks.

LIFFE – London International Financial Future and Options Exchange.

Liquid assets – These are assets such as shares in a company or unit trust, which can be sold quickly to give a cash amount.

Liquidity – The ease with which money can be returned from an investment.

LIPI – Limited price indexation.

Management accounts – Consist mostly of forecasts and plans as compared with financial accounts – which are historical statements of results – intended only for use by the business itself and are forward looking.

Margin – In banking, the difference between the cost of money and the rate received on it.

Mezzanine finance – A term to describe finance, which has the characteristics of both debt and equity, usually in the form of variations on preference shares or loan stock.

MBI – Management buy in.

MBO – Management buy out.

MBO – Management by objectives.

MFR – Minimum funding requirement.

Money laundering legislation – The law covering anti-money laundering systems.

Mortgage – A loan secured against fixed assets, usually property.

MNT – Member nominated trustee.

Mutuality – A system where an organisation is owned by its members without outside shareholders.

NAPF – National Association of Pension Funds.

NASD – National Association of Security Dealers, Inc.

NAV – Net asset value.

National Insurance – Payments made to the UK Government out of earnings that entitle people to a state pension and other benefits. Contributions are paid both by an employee and the employer.

Net – After some amount (usually tax or a discount) has been deducted.

Net asset value – The total assets of an organisation or fund minus all liabilities and all capital charges.

Net profit – The gross profit figure minus overheads, including depreciation. This may be expressed as per cent on sales. Net profit does not include interest charges, dividends or tax.

NGO – Non-governmental organisation.

NI – National Insurance

NIC – National Insurance contribution

NMW – National minimum wage (UK).

NPV – Net present value.

NRD – Normal retirement date.

NYSE – New York Stock Exchange.

OAR – Overhead absorption rate.

OECD – Office of Economic Cooperation and Development.

OEICs – Open-ended investment companies.

OFEX – An unregulated trading facility in unquoted companies operated by JP Jenkins Limited in association with Newstrack Limited.

Offshore banking – Funds based outside the your country.

OFR – Operating and financial review.

OFT – Office of Fair Trading.

OGEL – Open general export licence.

Ombudsman – Provides the consumer with a quicker and less costly alternative to court for resolving some disputes. Schemes differ in the powers they have and in the remedies they can provide, however, many complaints are resolved through informal conciliation, independent mediation, or arbitration.

OIEL – Open individual export licence.

Operating and financial review – A separate document to be published by larger companies to accompany their financial reports to assist users in understanding them.

OPRA – Occupational Pensions Regulatory Authority.

Overdraft – This is when someone borrows from their bank by taking out more money than they have in their account. It is advisable for people to arrange an overdraft facility with their bank, if they think they may overdraw.

Overheads – The cost of running your business rather than producing your goods or services, eg rent, rates, lighting and heating.

P/E – Price-to-earnings. P/E is a ratio and is an indication of the value of a company's shares. The ratio compares the cost of the share with the amount of income the company generates from that investment. A good P/E ratio points to a more secure business and greater likelihood of receiving good dividends in future. List of P/E ratios are published by quality papers.

PAYE – Pay As You Earn – the collection system for the basic income tax of employees.

PCT – Patent Cooperation Treaty.

PEP – Personal equity plan.

PIA – Personal Investment Authority.

PIDA – The Public Interest Disclosure Act 1998.

PILONS – Payments in lieu of notice.

PIRC – Pensions Investment Research Consultants Ltd.

PLA – Purchased Life annuity.

PLC – Public limited company.

PMI – Pensions Management Institute.

POCA – Proceeds of Crime Act.

POS – Purchase (of) own shares.

POS – Point of sale.

PR – Personal representative.

P & L – Profit and loss account. A statement of income received during a given period and the costs incurred to generate that income. It includes sales, costs, overheads, interest charges, and a provision for tax and dividends.

Prima facie – “On the face of it”.

PRONED – Promotion of non-executive directors.

PSA – PAYE settlement agreement.

PSI – Pre-shipment inspection.

PV – Present value.

QIP – Quarterly instalment payment.

Quango – Quasi-autonomous non-governmental organisation.

Quest – Qualifying employee share ownership trust.

RAMV – Readily ascertainable market value.

Ranking – The order in which holders of a company’s securities are paid in the event of liquidation.

Receivership – The appointment of a licensed insolvency practitioner, after a company has defaulted, to realise the value of the assets to repay outstanding debts.

Retail banking – Services provided by banks for individual customers such as savings accounts, personal loans, and cheque cashing.

Retail price index – The official measure of inflation calculated by weighing the costs of goods and services to approximate a typical family spending pattern.

RFI – Referral for inspection.

RI – Residual income

RIPA – Regulation of Investigatory Powers Act 2000.

RNS – Regulatory news service.

ROCE – Return on capital employed.

ROI – Return on investment.

RPI – Retail price index.

RPI-X – Retail price index excluding mortgage interest.

RPI-Y – Retail price index excluding indirect taxes and mortgage interest.

S2P – State second pension.

SAD – Single administrative document – used in export.

SAYE – Save As You Earn.

SCEC – Small Company Enterprise Centre.

SD – Standard deviation.

SD – Stamp duty.

SDDRT – Stamp duty reserve tax.

SEAAR – Social and ethical accounting, auditing and reporting.

SEAO – Stock Exchange automated quotations systems.

Secured loan – A loan where security collateral is given or charged to the lender. Secured lending is viewed as less risky than unsecured lending and interest rates are generally lower to reflect this.

Securities - The term used for stocks, shares, debentures, and so on where there is a right to receive interest or dividends from the investment.

SERPS – State earnings related pension scheme.

SETS – Stock Exchange electronic trading service.

Share – An investment in, and part ownership of, a company, conferring the right to part of the company's profits (usually by payment of a dividend). Shares may also carry voting rights and, in the case of public companies, can be traded on the open market.

Share dealing – The buying and selling of shares.

SITPRO – Simpler Trade Procedures Board.

SMP – Statutory Maternity Pay.

SORPS – Statements of recommended practice.

SPC – Certificate of supplementary protection.

SRI – Socially responsible investment.

SSAP – Small self-administered scheme.

SSP – Statutory Sick Pay.

Stamp duty – The tax payable to the Government upon the transfer of ownership of a property or share.

Stock market – The market for the sale and purchase of shares, government bonds, and other securities.

Stocks – In Britain, it refers to government debt securities, such as a gilt-edged investment, where a reasonable level of interest can be earned on a very low risk investment. In America, a stock is more likely to be a share.

SVD – Shares Valuation Division – part of the Inland Revenue.

TAS – Taxed award scheme.

TFC – Total factory cost.

TMA – Taxes Management Act.

TPI – Taxes and prices index.

TQM – Total quality management.

TTE – Transfer To Escrow – gives control over specified securities to another CREST member without there being a transfer of title.

TUC – Trades Union Congress.

UEL - Upper earnings limit.

UITF – Urgent Issues Task Force – part of the Accounting Standards Board.

UN – United Nations.

Unit trusts – Funds formed to manage investments collectively on behalf of a number of investors, and run by a financial services company and a fund manager.

United Kingdom – Includes England, Northern Ireland, Scotland, Wales, the Isle of Man and the Channel Islands.

Unsecured loan – A loan where no security collateral is given or charged to the lender. Unsecured lending is viewed as higher risk than secured lending and interest rates are generally higher to reflect this.

URMA – Upper relevant maximum amount.

URV – Un-guaranteed residual value.

UURBS – Unfunded unapproved retirement benefits scheme.

Value added tax (VAT) – A tax on the final consumption of most goods and services (a sales tax). It is collected at every stage of production and distribution. If your annual turnover hits the registration threshold or you expect your turnover in the next 30 days alone to exceed the registration threshold, you must register with Customs and Excise for VAT.

VC – Venture capital.

VCT – Venture Capital Trust.

WACC – Weighted average cost of capital.

WIP – Work-in-progress.

WTR – Working time regulations

Yield – The income from an investment.

[SEE SUITE 904 FOR THE FIRST PART OF THE ALPHABET](#)