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**CA Foundation
Business & Commercial Knowledge**

Chapter 6

Common Business Terminologies

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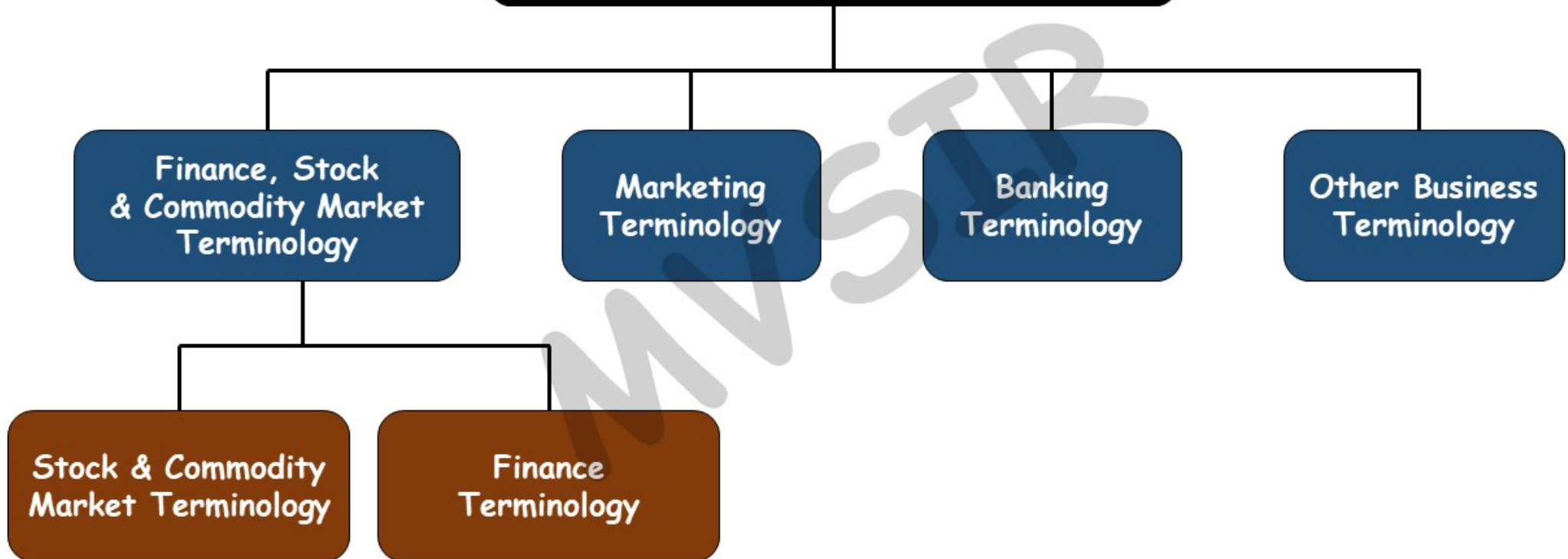


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CA Mohnish Vora
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BCK Chapter 6 Common Business Terminologies



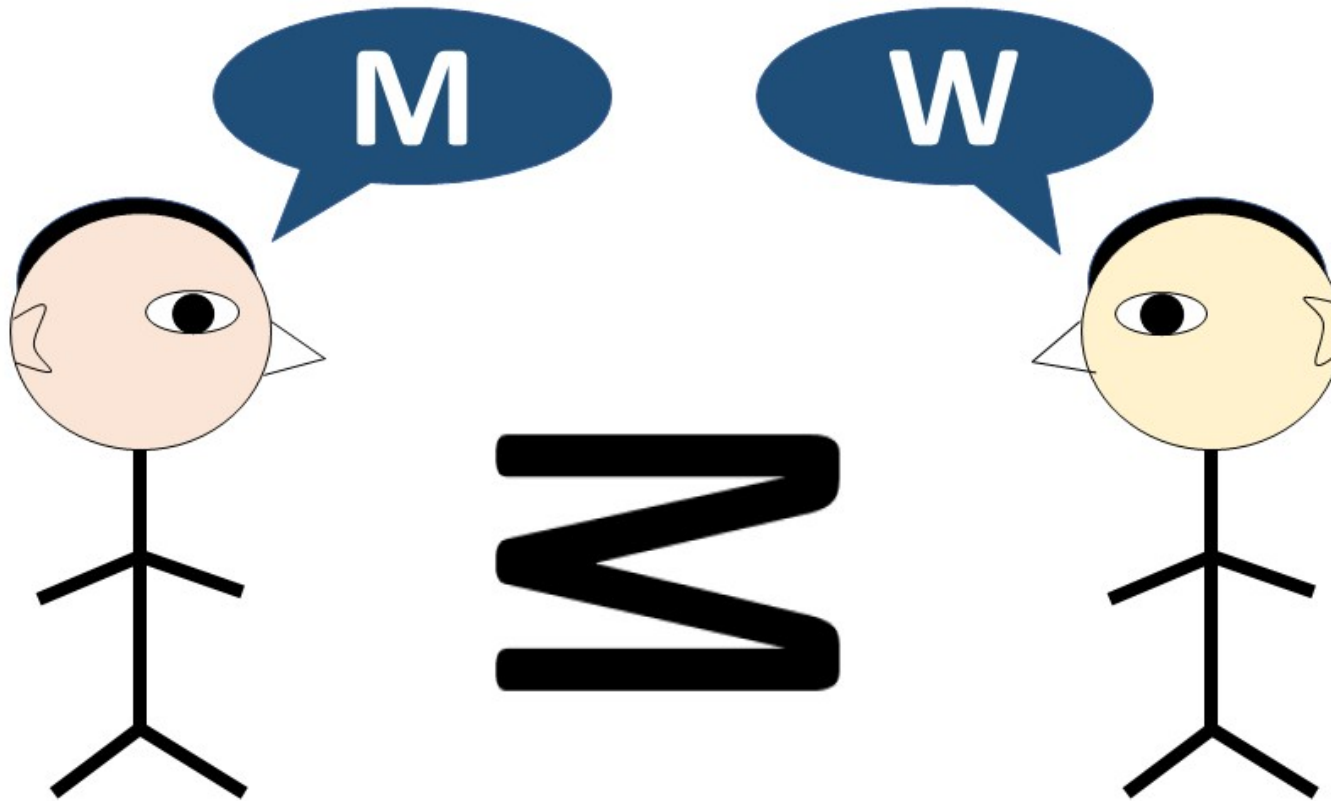
Introduction

- The **domains** of Business and Commercial Knowledge (BCK) are
 - **ever expanding** and **evolving** and
 - BCK **draws its vocabulary** from **various disciplines**.
- In the first chapter, we spelt the strategies for keeping oneself updated with the BCK. In the preceding chapters, we have drawn on BCK lexicon for elaborating various concepts.
- In this summing up chapter, we profile the terms used in those chapters and many more in the BCK lexicon. The **format of the chapter** is more of a **glossary / BCK Dictionary**.
- However, we learn better when we contextualise these terms and **use these in our conversations and communications**.
- Thus, ICAI encourages you to **read more, think much and write and speak these terms** for better comprehension of the world of business. This will help you in future.

Business - Many Facets of the Same Reality

- In Chapter-1 we also saw that how a business may be studied from a-
 - ❑ technical facet (Production/Operations),
 - ❑ commercial facet (marketing),
 - ❑ Financial facet (economic),
 - ❑ HR facet (social) and
 - ❑ Administrative facet (political & legal)
- Each of these perspectives may be regarded as different windows of the same room. **All these perspectives have a lexicon of their own-** the **jargon** (special words or expressions that are used by a particular profession or group).
- Perspectives are useful - **each one in its own right**. However, we should **not be blinded by our own expertise**.
- For example, to an **accountant** the **firm** is just a little more than a **sum of Asset, Liabilities, Capital, Revenue and Expenses**. And, to a **marketing professional**, it is all about **firm's products, pricing, place (distribution) and promotion**. In reality however, the firm is **both** an accounting entity and a business marketing its products.
- We need to follow an **eclectic approach** that is not blinded by or blind to any perspective.

Each person has a different perspective (point of view) about the same thing



Technical Facet

- Technically a business may be viewed as a **transformation process**- a **huge machine**- where in **inputs** are subjected to the entire **process for generating output**. Now this interpretation of business can open us to a host of terms in the BCK lexicon.
- A business's **inputs** are the **various commodities** including **industrial raw materials, minerals and metals** as well as **agricultural commodities** (especially for agro industries). It is therefore desirable to know about terminologies pertaining to commodity markets.

Commercial Facet

- Commercially, business is all about **marketing management**, that is, **planning, organising, directing and controlling** a firm's **relationships with its customers/markets**.
- 4 Ps of marketing-
 - 1. **Product**,
 - 2. **Price**,
 - 3. **Place** and
 - 4. **Promotion**for **goods marketing**
- 3 additional Ps
 - 1. **People** (Sales force's) connects with customers,
 - 2. **Physical Evidence** e.g. hygiene in hospital/restaurant
 - 3. **Processes** e.g. customer service time, etc.for **services marketing**.
- Here, BCK would also involve the awareness of terminologies pertaining to consumer markets -domestic as well as international.

Financial Facet

- From an economic, accounting and financial perspective, business implies **investment** and the **associated returns and risks**.
- Thus, this facet includes **sources of business finance** and the **state of the development of financial markets**; maintenance of **accounts**, preparation of **Profit and Loss Account** and the **Balance Sheet**.
- It involves estimation of cost, revenue and profits and the periodic reporting of the firm's performance.

HR Facet




















- From an HR perspective, a business organisation is all about **people occupying different job positions** and **performing their respective roles**, responsibilities and functions.
- People are said to be an organisation's **most precious assets**, albeit these assets do not figure in its balance sheet. Their **competencies, character, individual motivation** and collective morale are believed to **have a decisive effect on the organisation's performance**.
- Thus, all the organisational processes and the associated vocabulary of attracting and retaining talented, energetic enthusiastic and ethical human resources is also an integral part of BCK lexicon.

Administrative Facet

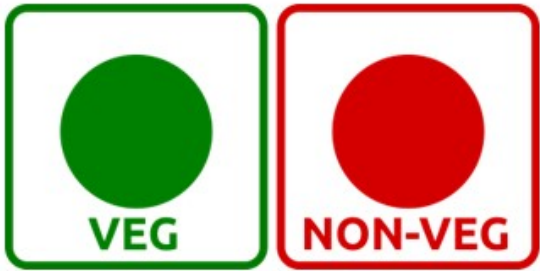
- Administratively, BCK pertains to the **forms of business organisation, regulations, approvals and clearances** needed to start and carry on business. It also refers to the **internal management and governance processes**

Sign Language and Symbols in Business

International Packing Symbols

 FRAGILE HANDLE WITH CARE	 THIS WAY UP	 USE NO HOOKS	
 PROTECT FROM HEAT	 DO NOT STACK	 HEAVY DO NOT LIFT	
STACK LIMITATION IN UNITS 3 	 KEEP DRY	 SLING HCRC	
CENTRE OF GRAVITY 	 DO NOT ROLL	 STACKING LIMITATION (WEIGHT)	
TEMPERATURE LIMITATIONS 	CLAMP HEARE 	 NO HAND TRUCKS	
OTHER COMMONLY SEEN SIGNS			
 DANGER	 HIGHLY FLAMMABLE	 FADIATION RISK	 STATIC SENSITIVE DEVICE
IF PACKING IS RE-USED DELETE ALL OLD MARKINGS			

Food Distinction Symbols



Universal Product Code



The **Universal Product Code (UPC)** is a barcode symbology that is universally used for **tracking trade items**. It consists of **scannable strip of black bars & white spaces** above a sequence of **12 numerical digits**, that are **uniquely assigned to each trade item**.

Quick Response (QR) Code

A **QR Code** consists of **black squares** arranged in a **square grid** on a **white background**, which can be **read by an imaging device** such as a camera until the image can be appropriately interpreted. The **required data is then extracted from patterns** that are present in both horizontal and vertical components of the image.



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FINANCE, STOCK AND COMMODITY MARKET TERMINOLOGY

STOCK AND COMMODITY MARKET
TERMS

FINANCE TERMS

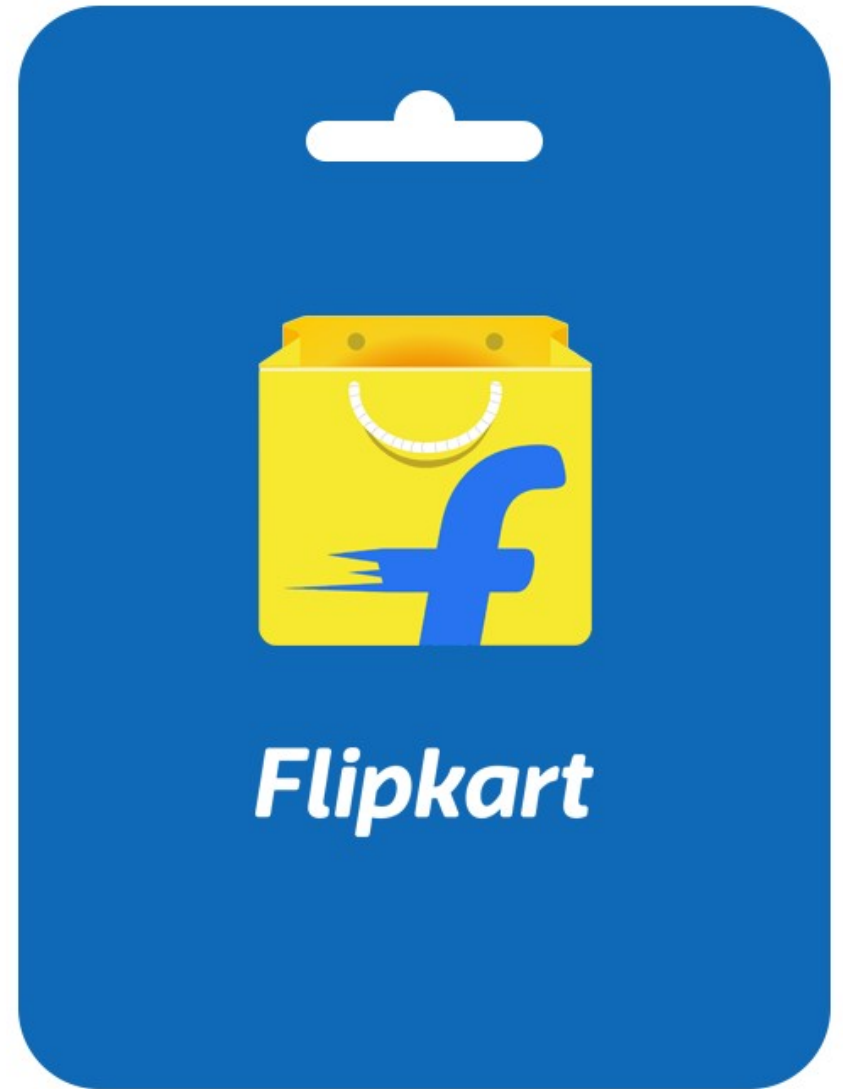
Stock And Commodity Market Terms

Stock And Commodity Market Terms

S. No.	Term	Meaning
1.	Capital Markets / Stock Market	The financial markets for stocks and for intermediate or long-term debt .
2.	Money Market	Money market is component of financial market for asset involved in short term borrowing , lending, buying and selling with original maturities of one year or less . [Eg- Treasury Bills (T-Bills), Certificate of Deposit, Bills of Exch etc]
3.	Commodity Market	A commodity market is a physical or virtual marketplace for buying, selling, and trading commodities . Eg- gold, oil, cotton etc. Futures contracts are the oldest way of investing in commodities. In India, we have The Multi Commodity Exchange of India Limited (MCX) .
4.	Demat Account	A demat account is an account to hold financial securities in electronic form . Demat accounts are maintained by depositories .
5.	Trading Account	A trading account is used to buy or sell equity shares in a stock market. acts like a link between demat account and bank account of an investor. To buy shares one has to order through his trading account. The transaction then goes for processing in stock exchange. Upon execution, shares get credited into demat account and money gets deducted from the bank account. It is is opened with a stock broker

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A STEP TOWARDS ATMANIRBHAR BHARAT

Empanelment of the Refined Lead Brands under MCX Lead futures contracts

GRAVITA INDIA LIMITED | PILOT INDUSTRIES LIMITED

THURSDAY, 17TH FEB, 2022

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Stock And Commodity Market Terms

S. No.	Term	Meaning
6.	Depository	Depository is an organisation which maintains all details of securities, security holders, security issuers etc. [Eg- NSDL & CDSL]
7.	Depository Participant	Depository Participant (DP) is described as an Agent of the depository . They are the intermediaries between the depository and the investors To open Demat A/c we go to DP . Eg- Edelweiss, Zerodha, Share Khan etc.
8.	Financial Intermediary	A financial intermediary is basically a party or person who acts as a link between a provider who provides securities and the user, who purchases the securities . Share brokers , and almost all the banks , are the best examples of financial intermediaries
9.	Broker / Brokerage Firm	A registered securities firm are called broker/brokerage firm. Broker's acts as an advisor for purchase and sell of listed stocks , they do not own the securities at any point of the time. But they charge a commission for their service. They are the intermediaries between the stock exchange and the trader . To open Trading A/c we go to Broker . [Eg- Angel Broking, Zerodha etc.]
10.	Agent	A brokerage firm is said to be an agent when it acts on behalf of the client in buying or purchasing of shares . At no point of time in the entire transaction the agent will own the shares .

Stock And Commodity Market Terms

S. No.	Term	Meaning
11.	Brokerage	Brokerage is the commission charged by the broker. The maximum brokerage chargeable is determined by SEBI .
12.	Business Days	Days on which stock markets are open . Monday to Friday , excluding public holidays .
13.	Pre-opening session	The pre-open session is for duration of 15 minutes i.e. from 9:00 AM to 9:15 AM . In pre-opening session order entry, modification and cancellation takes place. This is the period when the opening price of the shares is decided .
14.	Trading Session	The period of time stock market is open for trading for both sellers and buyers , within this time frame all the orders of the day must be placed . [9:15 AM to 3:30 PM] Here all the orders placed in preopening sessions are also matched and executed .
15.	Buyer	The trading member who has placed the order for the purchase of the securities
16.	Bid	It is the highest price a buyer is willing to pay for a stock. It is opposite of ask/offer

For Knowledge Purpose

Pre-Opening Session

Term	Meaning
9:00 AM to 9:08 AM	This session is called the Order Collection period . You can place, modify, and cancel your order during this time period. However, no execution occurs during this period.
9:08 AM to 9:12 AM	This is called order matching period or trade confirmation order . You cannot place, modify, or cancel your order during this interval. Placed orders are executed. Opening Price is determined here.
9:12 AM to 9:15 AM	This period is called buffer period and is used for easy transition from pre-opening session to normal market session .

Price	Demand	Supply	Maximum Tradeable Quantity
150	800	950	
151	1300	1050	
152	1500	1800	
153	450	650	

Opening Price =

The opening price is determined based on the principle of **demand and supply mechanism**.

It occurs at the equilibrium price, where the **maximum volume (tradable quantity)** is executable.

All the **outstanding orders**, which are **not executed in the pre-opening session**, will **move to the normal market session**.

No MCQ will be asked from above concept

Stock And Commodity Market Terms

S. No.	Term	Meaning
17.	Seller	Anyone who offers to sell securities in the stock market.
18.	Ask / Offer	The lowest price at which an owner is willing to sell his securities. The offer is higher than the bid .
19.	Base Price / Opening Price	This is the price of a security at the beginning of the trading day which is used to determine the Day Minimum/Maximum and the Operational ranges for that day.
20.	Closing Price	The trade price of a security at the end of a trading day . Based on the closing price of the security, the base price at the beginning of the next trading day is calculated. Closing price of the day on NSE is the weighted average price of the last 30 mins of trading .
21.	Last Traded Price	When prices of buyer & seller matches (Ask = Bid), the order is executed and the price at which it is executed is called the Last Traded Price or Current Market Price .
22.	Settlement Period	The shares are moved from the seller's account to the buyer's account and the money is moved from the buyer to the seller. This is done on T+2 Day . Eg- order placed on Monday, settled on Wednesday.

For Knowledge Purpose

Market Depth

Reliance Industries Ltd- Market Depth

Market Depth			
Buy orders 13.98%		Sell orders 86.02%	
Bid price	Qty	Ask price	Qty
2,615.85	78	2,615.90	1
2,615.80	1	2,615.95	78
2,615.50	1,031	2,616.00	56
2,615.45	26	2,616.05	60
2,615.40	3	2,616.50	45
Bid total	2,71,449	Ask total	16,70,635

- The market depth gives you a visual **overview** of **what levels most orders are being placed** and you can place an order at any price in the depth with a click on it.
- You can see the **best 5 bids** and **offers/asks** for a particular security.
- Market Depth shows the **orders** which are **pending** for a security.
- When **prices of buyer & seller matches** (Ask = Bid), the **order** is **executed** and the price at which it is executed is called the Last Traded Price or Current Market Price. That **executed order** then **vanishes** from market depth.

No MCQ will be asked from above concept

Stock And Commodity Market Terms

S. No.	Term	Meaning
23.	Market capitalisation	The total value in rupee of all of a company's outstanding shares . It is calculated by multiplying all the outstanding shares with the current market price of one share . It determines the company's size in terms of its wealth.
24.	Index	It is a statistical measurement of change in the economy or security market. Such indices have their own calculation methodology and are usually measured as a percentage change in the base value over the time.
25.	Beta	It is a measurement of relationship between stock price of any particular stock and the movement of whole market . It measures the sensitivity of a share price to the market .

For Knowledge Purpose

Calculation of Market Capitalisation

Reliance Industries Ltd.

Sector: Refineries

2,496.55 INR

+45.30 (1.85%) ↑ today

19 Oct, 3:26 pm IST • Disclaimer

Reliance Industries

Capital Structure

Period		Instrument	--- CAPITAL (Rs. cr) ---	
From	To		Authorised	Issued
2020	2021	Equity Share	14000	6762.07

Market Capitalisation = 676.21 Cr * Rs 2,496.55 = Rs 16,88,192 crores (approx.)

No MCQ will be asked from above concept

Stock And Commodity Market Terms

S. No.	Term	Meaning
26.	Market Order	A market order is an order to buy or sell a security immediately . This type of order guarantees that the order will be executed , but does not guarantee the execution price .
27.	Limit Order	An order to buy or sell a share at a specified price . The order will be executed only at the specified limit price or even better . A limit order sets a minimum price the seller is willing to accept and maximum price the buyer is willing to pay for it.
28.	Internet Trading	Internet Trading is a platform with Internet as a medium. Internet trading execution takes place through order routing system, which will route traders order to exchange trading system. Thus, traders sitting in any part of the world can be able to trade using their brokers Internet Trading System . The Securities and Exchange Board of India (SEBI) approved Internet Trading in January 2000 .
29.	Basket trading	Basket trading is a facility by which investors are in a position to buy/sell all 30 scrips of Sensex in the proportion of current weights in the Sensex , in one go.

Stock And Commodity Market Terms

S. No.	Term	Meaning
30.	Thin Market	A market in which there are comparatively low number of bids to buy and offers to sell. Since the number of transactions is low , the prices are very volatile
31.	One-Sided Market	A market that has only potential sellers or only potential buyers but not both .
32.	Badla	<p>Carrying forward of transaction from one settlement period to the next without effecting delivery or payment. The carry forward is done at the making up price, which is usually the closing price of the last day of settlement.</p> <p>A badla transaction attracts the following payments / charges:</p> <ul style="list-style-type: none"> a) 'margin money' specified by the stock exchange board; and b) contango or badla charges (interest charges) determined on the basis of demand and supply forces

Stock And Commodity Market Terms

S. No.	Term	Meaning
33.	Securities	A transferable certificate of ownership of investment in products such as stocks, bonds, future contracts and options which an individual holds.
34.	Convertible Securities	A security (bonds, debentures, preferred stocks) by an issuer that can be converted into other securities of that issuer are known as convertible securities. The conversion usually occurs at the option of the holder , but it may occur at the option of the issuer .
35.	Stock	<p>A certificate (or electronic or other record) that indicates ownership of a portion of a corporation; a share of stock.</p> <p>Preferred stock promises its owner a dividend that is usually fixed in amount or percent. Preferred shareholders get paid first out of any profits. They have preference. Common stock has no preference and no fixed rate of return.</p> <p>Stock also means the stock of goods, the stock on hand, the inventory of a company</p>
36.	Stock Split	An attempt to increase the number of outstanding shares of a company by splitting the existing shares. It is usually done to increase the availability of shares in the market. The usual split ratio is 2:1 or 3:1 , i.e. one share is split into two or three .

Stock And Commodity Market Terms

S. No.	Term	Meaning
37.	Listed Stock	The shares of a company that are traded on the stock exchange . The company has to pay fees to be listed in the stock exchange and abide by the regulations of the stock exchange to maintain listing privilege.
38.	Income Stock	A security which has a solid record of dividend payments and offers the dividend higher than the common stocks. [Eg- ITC, Power Gird, Bajaj Auto etc]
39.	Defensive Stock	A stock that provides a constant dividends and stable earnings even in the periods of economic downturn i.e. even in the extreme critical situations of the stock market these companies continue to pay the dividends at a constant rate . [Eg- Hindustan Unilever, Britannia, Havells, HDFC Bank etc]
40.	Blue Chips	Blue Chips are shares of large, well established and financially sound companies with an impressive record of earnings and dividends . Generally, Blue Chip shares provide low to moderate current yield and moderate to high capital gains yield. The price volatility of such shares is moderate . [Eg- State Bank of India (SBI), Bharti Airtel, Tata Consultancy Services (TCS), Coal India, Reliance Industries, HDFC Bank, ONGC, ITC, Sun Pharma etc]
41.	Debentures	A type of debt instrument that is not secured by physical assets or collateral . Debentures are backed only by the general creditworthiness and reputation of the issuer. A debenture is an unsecured form of investment.

Stock And Commodity Market Terms

S. No.	Term	Meaning
42.	Bond	Bond is a type of long-term Promissory Note . Bonds can either be registered in the owner's name or are issued as bearer instruments . It is a written record of a debt payable in the future . The bond shows amount of the debt, due date, and interest rate . It is a promissory note issued by companies or government to its buyers. It speaks about specified amount held for a specified time period by the buyer.
43.	Government Bond	A government bond, which is also known as a government security , is basically any security that is held with the government and has the highest possible rate of interest.
44.	Zero Coupon Bond	A bond that pays no annual interest but is sold at a discount below par , thus providing compensation to investors in the form of capital appreciation .
45.	Commercial Papers	Unsecured, short-term promissory notes of large firms, usually issued in denominations of ` 100,000 or more and having an interest rate somewhat below the prime of lending rate of commercial bank. They have a minimum maturity of seven days and a maximum of up to one year from the date of issue.
46.	Commodity	Product used for commerce that are traded on separate, authorized commodities platform . Commodities include agricultural products and natural resources .

Stock And Commodity Market Terms

S. No.	Term	Meaning
47.	Exchange Rate	The number of units of given currency that can be purchased for one unit of another currency . [Eg: 1 \$ = Rs 75]
48.	Mutual Fund	A pool of money managed by experts by investing in stocks, bonds and other securities with the objective of improving their savings . These experts will create a diversified portfolio from these funds.
49.	Portfolio	Holding of any individual or institution. A portfolio may include various type of securities of different companies operating in different sectors.
50.	Face Value	It is the cash denomination or the amount of money the holder of the individual security going to earn from the issuer of the security at the time of maturity . It is also known as par value .
51.	Holding Period	The holding period is the time duration during which a capital asset is held/owned by an individual or corporation. The holding period is taken into consideration, while pledging the asset as collateral.

Stock And Commodity Market Terms

S. No.	Term	Meaning
52.	Bonus	A free allotment of shares made in proportion to existing shares out of accumulated reserves . A bonus share does not constitute additional wealth to shareholders. It merely signifies recapitalization of reserves into equity capital. However, the expectation of bonus shares has a bullish impact on market sentiment and causes share prices to go up .
53.	Dividend	A portion of the company's earnings decided to pay to its shareholders in return to their investments. It is usually declared as a percentage of current share price or some specified rupee value, usually decided by the board of directors of the company.
54.	Book Closure	Dates between which a company keeps its register of members closed for updating prior to payment of dividends or issue of new shares or debentures .
55.	Capital Gains Yield	The capital gain during a given year divided by the beginning price .
56.	Price Earnings (P/E) Ratio	The market price of a share of stock divided by the earnings (profit) per share . P/E ratios can vary from sky high to dismally low, but may not reflect the true value of a company.

Stock And Commodity Market Terms

S. No.	Term	Meaning
57.	Return on Investment (ROI)	<p>ROI is a measure of the effectiveness and efficiency with which managers use the resources available to them, expressed as a percentage.</p> <ul style="list-style-type: none"> ➤ Return on equity is usually net profit after taxes divided by the shareholders' equity. ➤ Return on invested capital is usually net profit after taxes plus interest paid on long-term debt divided by the equity plus the long-term debt. ➤ Return on assets used is usually the operating profit divided by the assets used to produce the profit. <p>Typically used to evaluate divisions or subsidiaries. Different companies and different industries have different ROIs.</p>
58.	Yield	<p>It is the measure of return on investments in terms of percentage. Stock yield is calculated by dividing annual dividend paid by the company for that share by the current price of the share. For example, if the current price of the share is Rs 100 and the dividend paid is INR 5 per share annually, then the stock yield is 5%.</p>
60.	Yield to Call	<p>The rate of return earned on a bond if it is called before its maturity date.</p>

Stock And Commodity Market Terms

S. No.	Term	Meaning
61.	Risk	A probable chances of investments actual returns will be reduced then as calculated. Risk is usually measured by calculating the standard deviation of the historical price returns. Standard deviation is directly proportional to the degree of risk associated
62.	Business Risk	The riskiness inherent in the firm's operations if it uses no debt .
63.	Diversification	Reducing the investment risk by purchasing shares of different companies operating in different sectors.
64.	Hedge	Hedge is a strategy that is used to minimize the risk of a particular investment and maximize the returns of an investment. A ' hedge ' strategy is, most of the times, implemented with the help of a hedge fund . This term has been written from the banker's point of view and may be interpreted differently in the field of financial and commodity market.
65.	Arbitrage	Arbitrage is the simultaneous purchase and sale of two identical commodities or instruments. This simultaneous sale and purchase is done in order to take advantage of the price variations in two different markets . For example: Purchase of gold in one nation and the simultaneous sale in another.

Stock And Commodity Market Terms

S. No.	Term	Meaning
66.	Derivatives	A security whose price is derived from one or more underlying assets . The most common underlying assets include stocks, bonds, commodities, currencies, interest rates and market indexes.
67.	Forward	Forward contract is a derivative, wherein two parties enter into an agreement either to buy or sell something for a pre-determined price at a future date agreed today . The settlement is delivery-based . These are Over the Counter (OTC) contracts .
68.	Futures	Futures contract is a derivative, wherein two parties enter into an agreement either to buy or sell something at a future date agreed today. The settlement is cash-based . These are exchange traded contracts .
70.	Call Option	An option that is given to investor the right but not obligation to buy a particular stock at a specified price within a specified time period.
71.	Put Option	An option that gives an investor the right to sell a particular stock at a stated price within a specified time period. Put option is purchased by those who believe that particular stock price is going to fall down than the stated price.

Stock And Commodity Market Terms

S. No.	Term	Meaning
71.	Strike Price	The price at which the holder of an option can buy (in case of call option) or sell (in case of put option) the securities they hold when the option is executed.
72.	Out of the money	<ul style="list-style-type: none"> ➤ For call options, this means the stock price is below the strike price. ➤ For put options, this means the stock price is above the strike price. The price of out-of-the-money options consists entirely of "time value." The option is not exercised here.
73.	In the Money	<ul style="list-style-type: none"> ➤ For call options, this means the stock price is above the strike price. ➤ For put options, this means the stock price is below the strike price. The option is generally exercised here.
74.	At the Money	<ul style="list-style-type: none"> ➤ For call or put options, this means the stock price is equal to the strike price. The option may or may not be exercised here.

Stock And Commodity Market Terms

S. No.	Term	Meaning
75.	Bears	These stock-market players are pessimists , they expect share prices or any other type of investment to fall . In a 'bear market' the general sentiment is that prices are going to go lower and majority of dealers will sell as quickly as possible for fear of holding shares which diminish in value.
76.	Bear Market	A market in which stock prices are falling consistently .
77.	Bull Market	A market in which the stock price is increasing consistently
78.	Angel Financing	Angel or seed investors participate in businesses that are so early-stage they may be pre-revenue with few to no customers at all.
79.	Venture Capital	Venture Capital is a form of private equity and a type of financing that investors provide to startup companies and small business that are believed to have long term growth potential .
80.	Initial Public Offering (IPO)	A company's first issue of shares to general public . IPOs are issued by smaller, younger companies seeking funds for expansion and growth, but large companies also practice this to become publicly traded companies.
81.	Call	The demand by a company or any other issuer of shares for payment. It may be the demand for full payment on the due date, such as, for example, with a rights issue. It may, alternatively, be the demand for a further payment when the total amount is payable by instalments. A call by a company should not be confused with a call option.

Finance Terms

Finance Terms

S. No.	Term	Meaning
1.	Assets	<ul style="list-style-type: none"> ➤ Asset means an economic resource that is expected to be of benefit in the future. ➤ Probable future economic benefits obtained as a result of past transactions or events. ➤ Anything of value to which the firm has a legal claim. ➤ Any owned tangible or intangible object having economic value useful to the owner. ➤ In other words, an asset may be a physical property such as a building, or an object such as a stock certificate, or it may be a right, such as the right to use a patented process. <p>These can be:</p> <ol style="list-style-type: none"> i. <u>Current Assets</u>: Current Assets are those assets that can be expected to turn into cash within a year or less. For example: Cash, marketable securities, accounts receivable, and inventory ii. <u>Fixed Assets</u>: Fixed Assets cannot be quickly turned into cash without interfering with business operations. These are valuable items that last more than one year. For example: Land, buildings, machinery, vehicle, equipment, furniture, and long-term investments. iii. <u>Intangible Assets</u>: Intangible Assets are items such as patents, copyrights, trademarks, and other kinds of rights or things of value to a company, which are not physical objects. Often, they do not appear on financial reports.

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2.	Amortize	<ul style="list-style-type: none"> ➤ To amortize is to charge a regular portion of an expenditure over a fixed period of time. For example: If something cost Rs 1,00,000 and is to be amortized over ten years, the financial reports will show an expense of Rs 10,000 per year for ten years. ➤ Intangible assets such as patents and trademarks are amortized in to profit and loss account.
3.	Depreciation	<ul style="list-style-type: none"> ➤ Depreciation is a way of spreading the cost of an asset over its expected useful economic life. It is an expense allowance made for wear and tear on an asset over its estimated useful life. ➤ It is an expense that is supposed to reflect the loss in value of a fixed asset. For example: If a machine will completely wear out after ten year's use, the cost of the machine is charged as an expense over the ten-year life rather than all at once, when the machine is purchased. ➤ <u>Straight line depreciation</u> charges the same amount to expense each year. ➤ <u>Accelerated depreciation</u> charges more to expense in early years, less in later years. ➤ Depreciation is an accounting expense.
4.	Appreciation	Appreciation is an increase in value . If a machine cost Rs 5 lakh last year and is now worth Rs 7 lakh, it has appreciated in value by Rs 2 lakh

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5.	Balance Sheet	Balance Sheet is a statement of the financial position of a company at a single specific time (often at the close of business on the last day of the month, quarter, or year.) The balance sheet normally lists all assets on the left side or top while liabilities and capital are listed on the right side or bottom.
6.	Audit	Audit is a careful review of financial records of an organisation to verify their accuracy.
7.	Breakeven point	It is the amount of revenue from sales which exactly equals the amount of expense. Breakeven point is often expressed as the number of units that must be sold to produce revenues exactly equal to expenses. Sales above the breakeven point produce a profit and below produces loss.
8.	Budget	Budget is a detailed plan for the future , usually expressed in formal quantitative terms. It is also a detailed plan for the acquisition and use of financial and other resources over a specified time period.
9.	Cash Budget	A table showing cash flows (receipts, disbursements, and cash balances) for a firm over a specified period.
10.	Capital Budgeting	The process of planning expenditure on assets whose cash flows are expected to extend beyond one year.
11.	Credit Period	The length of time for which credit is granted.

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12.	Creditors	These are people/organisations you owe money to at any particular time - the value of the creditors is included in the published accounts.
13.	Debtors	Although debtors are considered an asset, if you are owed a vast amount, this might indicate problems collecting monies owed and possible cash flow difficulties. A debtor is a company or individual who owes money to you.
14.	Bad Debts	Bad debts are amounts owed to a company that are not going to be paid . An account receivable becomes a bad debt when it is recognized that it won't be paid . Sometimes, bad debts are written off when recognized .
15.	Financial Instrument	A financial instrument is anything that ranges from cash, deed, negotiable instrument , or for that matter any written and authenticated evidence that shows the existence of a transaction or agreement .
16.	Consolidation	Business combination of two or more entities that occurs when the entities transfer all of their net assets to a new entity created for that purpose.
17.	Liquidation	A liquidation occurs when the assets of a division are sold off piecemeal , rather than as an operating entity.
18.	Equity (Net Worth)	The capital supplied by common stock holders common stock, paid-in capital, retained earnings , and, occasionally, certain reserves . Total equity is common equity plus preferred stock .

Finance Terms

S. No.	Term	Meaning
19.	Book Value	Total assets minus total liabilities means book value of Shareholder's equity . Book value also means the value of an asset as recorded on the company's books or financial reports. Book value is often different than true value . It may be more or less.
20.	Annuity	A series of payments of an equal amount at fixed intervals for a specified number of periods.
21.	Annuity Due	An annuity whose payments occur at the beginning of each period .



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