WOMEN UNLIMITED, INC. | MENTORING EDUCATION NETWORKING

IMPOWER Glossary of Financial Terms

Broadening Your Business Acumen

Accounting Equation – assets = liabilities + shareholder's equity.

Accounts Payable (AP) – amounts due to creditors for goods or services bought on credit, classified as a balance sheet account.

Accounts Receivable (**AR**) – amounts due to a business from customers for goods and services sold on credit, classified as a balance sheet account.

Accrual Method of Accounting – an accounting method that recognizes revenue when earned and expenses when incurred for matching purposes.

Accrued Liabilities – any amount incurred but not paid in an accounting period.

Accumulated Amortization – a reduction from intangible assets to accurately represent the charges to income over the useful life of the asset, classified as a balance sheet account.

Accumulated Depreciation – a reduction from fixed assets to accurately represent the charges to income over the useful life of the asset, classified as a balance sheet account.

Additional Paid-in Capital – the excess of shareholder investment over the par value of common or preferred stock, classified as a balance sheet account.

Advertising Linage – measurement term for the volume of space sold as advertising in newspapers; refers to number of column inches.

AICPA – American Institute of Certified Public Accountants.

Allowance for Doubtful Accounts – the amount deducted from accounts receivable to recognize the amount that customers will not pay, classified as a balance sheet account.

Asset – anything owned and having continuing value to a company, classified on the balance sheet.

Audit – an examination of the company's financial statements to verify that the amounts and disclosures are represented fairly in accordance with generally accepted accounting principles.

Balance Sheet – a financial statement that reflects the company's assets, liabilities and shareholder's equity at a particular point in time.

Bonds – an instrument of debt. In issuing bonds, a corporation agrees to pay holders a stated rate of interest until principal is repaid at a specific date.

Book Value – net amount for an asset or liability on the balance sheet. Book value equals the gross cost less the related valuation account. For example, the book value of an automobile is the initial cost less accumulated depreciation.

Broker – an agent who handles the public's orders to buy and sell securities or commodities.

Budget – a statement of future plans that serves as an estimate and a control of future operations.

Business Drivers – Metrics or indicators (cost and/or revenue) of critical importance to a department or company.

Capital Stock – all of the ownership shares of a corporation authorized by its articles of incorporation.

Cash and Cash Equivalents – bank accounts, currency on hand, and highly liquid short-term investments that will mature in less than 90 days, classified as a balance sheet account.

Cash Method of Accounting – method of recognizing revenues when cash is received or disbursed rather than when earned or incurred (see accrual method of accounting).

Chart of Accounts – the classification of accounts for a particular company.

CPA – Certified Public Accountant.

Common Stock – the basic ownership interest in a corporation issued by a company, classified as a balance sheet account.

Cost Accounting – part of the accounting procedure that deals with the task of determining, reporting, and analyzing the cost of a particular process, job, or department of a company.

Cost of Goods Sold – the cost to purchase and/or manufacture a company's product during an accounting period, recognized on the income statement.

Cost Variance – difference between actual cost incurred and the budgeted amount planned.

Credit – entry on the right side of an account. Credits increase liabilities, equity and revenues and decrease assets and expenses.

Current Assets – assets that will be consumed or converted into cash within the normal accounting cycle (generally one year).

Current Liabilities – liabilities that must be paid within the normal accounting cycle (generally one year).

Debit – entry on the left side of an account. Debits increase assets and expenses and decrease liabilities, equity and revenues.

Deferred Charges – charges against income that will benefit future period beyond one year.

Depletion – recognizing the cost of the reduction of natural resources.

Depreciation – expense charged against income that recognizes the “wear and tear” against a company’s fixed assets over their useful lives.

Discontinued Operation – a principal business that has been sold and is reported separately from continuing operations in the income statement.

Dividends – payments from retained earnings to shareholders for their investments in the company, declared by the board of directors.

Earnings Per Share (EPS) – the company’s earnings divided by the average number of shares outstanding for the period.

EBITDA – earnings before interest, taxes, depreciation and amortization. A common alternative to measure of performance.

Entry – records a transaction on the books of a company, comprised of debits and credits.

Equity – assets minus liabilities. The net worth of a company.

Estimated Useful Life – the estimated period of time that an asset will continue to be productive and have value.

Extraordinary Items – items that are both unusual and infrequent, given a separate classification on the income statement.

Fair Market Value – the amount at which an item can be exchanged on the market.

Fiscal Year – a company’s accounting year, usually on calendar year basis.

Fixed Asset – the property, plant, and equipment owned by the company, purchased for use in the company's operations and not intended for resale to customers. Classified as a balance sheet account.

Footnotes – additional information disclosed about the figures contained in the company's financial statements.

GAAP – Generally Accepted Accounting Principles, the rules and standards used in preparing the company's accounting records.

General Ledger – the record of a company's transactions, comprised of accounts.

Goodwill – intangible asset that represents the amount paid to acquire a company that exceeds the fair value of the net assets acquired. Classified as a balance sheet account.

Income – a company's revenue less cost and expenses.

Income Statement – a financial statement that reflects the company's profit by measuring revenues and expenses.

Intangible Assets – nonphysical assets that are owned and have value for a company such as goodwill, copyrights, and franchises, classified as a balance sheet account.

Interest – payments made by borrowers of funds to lenders for the use of their funds.

Internal Auditing – a procedure to measure and evaluate the management of a company's internal control system.

Inventory – raw materials, work-in-process and finished goods used in a business to produce product for sale.

Liability – the amounts owed to creditors for goods or services, classified on the balance sheet.

Long-term Liability – any amount owed to creditors due over one year in the future, classified on the balance sheet.

Maturity – the date in which a loan, bond, or debenture becomes due and is to be paid.

Net Income/Loss – the result of revenue less all expenses for a particular period, often referred to as "The Bottom Line."

Notes Payable – a formal borrowing agreement to repay borrowed funds, can be short-term or long-term.

Net Present Value (NPV)- Comparison of future dollars to be earned or saved due to the initiative vs. prevailing bank rates

Operating Cash Flow – operating income adjusted for major non-cash expenses, depreciation and amortization of intangible assets (see EBITDA).

Operating Profit – operating revenues minus operating expenses, classified on the income statement.

Par Value – the nominal value of a security assigned by the issuer, no relation to fair market value.

Payback- How long it takes for initiative to pay for itself.

Period Over Period (P/P)- A comparison of financial performance in the same period from one year to the next, e.g. January, 2008 compared to January 2009.

Preferred Stock – an equity security that has certain preferences over equity's common stockholders, such as dividends or liquidation, classified on the balance sheet.

Prepaid Expenses – payments made in advance for goods or services, classified as a balance sheet account.

Pro Forma – a manner of presentation intended to improve comparability of financial results; it assumes business purchases/dispositions were completed at the beginning of the earliest period discussed (i.e., results are compared for all periods but only for businesses presently owned).

Property, Plant and Equipment – see Fixed Assets.

Purchase – a business acquisition. The acquiring company records at its cost the acquired assets less liabilities assumed. The reported income of an acquiring company includes the operations of the acquired company from the date of acquisition.

Results of Continuing Operations – a key section of the income statement, which presents operating results for a company's principal ongoing businesses.

Retained Earnings – the total profit or loss of a company less dividends paid to investors, classified on the balance sheet.

Return on Investment (ROI) – a ratio that compares the net benefits of a project vs. total costs.

Revenue – amounts earned by a company for selling goods or rendering services.

Securities Exchange Commission (SEC) – the main securities regulatory authority in the United States which enforces the Securities Act of 1933 and Securities Exchange Act of 1934.

Shareholders Equity – the total of shareholder's investment in a company. Classified on the balance sheet.

Shareholder Value Added (SVA) – an all encompassing measure of financial performance; has a high correlation to stock price.

Statement of Cash Flows – a report showing a company's cash activity during a particular accounting period.

Stock Option – an award granted under which key employees may buy shares of the company.

Treasury Stock – the total cost for the reacquisition of the company's stock from the shareholders held in the company's treasury, classified on the balance sheet.

Unrealized Gain/Loss – the difference between the historical cost and the fair market value of an asset.

Working Capital – measures of a company's liquidity, or the ability of current assets to meet current liabilities.

Year Over Year (Y/Y) – Comparing financial performance with the same period in the previous fiscal year.

Year-to-Date (YTD) - signifies that reported figures reflect the period from the start of the year until the indicated date.