Finance and accounting

A-Level Business · Vocabulary in context

Word	Example
business finance /ˈbɪznəs ˈfaɪnæns/	**Business finance** is the money needed to start and run a business.
premises /ˈpremɪsɪz/	The firm's **premises** are the buildings it uses.
capital expenditure /ˈkæpɪtl ekˈspendɪtʃə/	Buying a new van is **capital expenditure**.
fixed assets /fɪkst ˈæsets/	Buildings and machines are **fixed assets**.
revenue expenditure /ˈrevənjuː ekˈspendɪtʃə/	Paying wages and electricity bills is **revenue expenditure**.
working capital /ˈwɜːkɪŋ ˈkæpɪtl/	**Working capital** is current assets minus current liabilities.
balance sheet /ˈbæləns ʃiːt/	The **balance sheet** shows what the business owns and owes.
current assets /ˈkʌrənt ˈæsets/	Cash and stock are **current assets**.
current liabilities /ˈkʌrənt ˌlaɪəˈbɪlɪtiz/	Bills due within a year are **current liabilities**.
profit /ˈprɒfɪt/	If sales are bigger than costs, the firm makes a **profit**.
cash /kæʃ/	The shop keeps enough **cash** to pay its bills.
internal sources /ɪnˈtɜːnl ˈsɔːsɪz/	Profit kept in the firm is one of its **internal sources** of finance.

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external sources /ekˈstɜːnl ˈsɔːsɪz/	Bank loans are **external sources** of finance.
short-term /ʃɔːt tɜːm/	An overdraft is **short-term** finance, usually under a year.
long-term /lɒŋ tɜːm/	A mortgage is **long-term** finance.
retained profit /rɪˈteɪnd ˈprɒfɪt/	**Retained profit** is profit kept in the business, not paid to owners.
sale of assets /seɪl ɒv ˈæsets/	A **sale of assets** raises cash from unwanted equipment.
share capital /ʃeə ˈkæpɪtl/	The company raises **share capital** by issuing shares.
loan /ləʊn/	The bank gave the firm a **loan** to buy machines.
debenture /deˈbentʃə/	A **debenture** is a long-term loan with a fixed interest rate.
overdraft /ˈəʊvədræft/	An **overdraft** allows a bank account to go below zero.
leasing /ˈliːsɪŋ/	**Leasing** lets a business use equipment without buying it.
hire purchase /ˈhaɪə ˈpɜːtʃɪs/	With **hire purchase**, you pay for a machine in parts.
trade credit /treɪd ˈkredɪt/	With **trade credit**, the shop pays its supplier later.
venture capital /ˈventʃə ˈkæpɪtl/	**Venture capital** is money from investors for new, risky firms.
crowdfunding /ˈkraʊdfʌndɪŋ/	**Crowdfunding** raises small amounts from many people.

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microfinance /ˌmaɪkrəʊfaɪˈnæns/	**Microfinance** gives very small loans to poor people with no bank.
collateral /kəˈlætərəl/	The bank asked for the house as **collateral** for the loan.
cash-flow forecast /kæʃ fləʊ ˈfɔːkæst/	A **cash-flow forecast** shows the money expected to come in and go out each month.
cash inflows /kæʃ ˈɪnfləʊz/	Money from sales gives **cash inflows**.
cash outflows /kæʃ aʊtˈfləʊz/	Wages and rent are **cash outflows**.
net cash flow /net kæʃ fləʊ/	**Net cash flow** is cash in minus cash out.
opening balance /ˈəʊpənɪŋ ˈbæləns/	The **opening balance** is the cash at the start of the month.
closing balance /ˈkləʊzɪŋ ˈbæləns/	The **closing balance** is the cash at the end of the month.
overtrading /ˌəʊvəˈtreɪdɪŋ/	**Overtrading** means growing too fast without enough cash.
cost /kɒst/	The **cost** of making each shirt is ¥30. ¥30
fixed costs /fɪkst kɒsts/	Rent is one of the **fixed costs**: it stays the same however much you make.
variable costs /ˈveərɪəbl kɒsts/	Raw materials are **variable costs**: they rise as you make more.
direct costs /daɪˈrekt kɒsts/	**Direct costs** are linked to one product, such as its materials.

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indirect costs /ɪndaɪˈrekt kɒsts/	**Indirect costs**, like the manager's pay, are shared by all products.
marginal cost /ˈmɑːdʒɪnl kɒst/	**Marginal cost** is the extra cost of producing one more unit.
average cost /ˈævrɪdʒ kɒst/	**Average cost** is total cost divided by the number of units.
contribution /ˌkɒntrɪˈbjuːʃn/	**Contribution** is the price minus the variable cost of each unit.
break-even /breɪk ˈiːvən/	At **break-even**, total revenue equals total cost.
break-even point /breɪk ˈiːvən pɔɪnt/	At the **break-even point**, the firm makes no profit and no loss.
margin of safety /ˈmɑːdʒɪn ɒv ˈseɪfti/	The **margin of safety** is how far sales can fall before the firm makes a loss.
limitations /ˌlɪmɪˈteɪʃnz/	Every method has **limitations**: things it cannot do well.
budget /ˈbʌdʒɪt/	The **budget** sets planned spending for the coming year.
incremental budget /ˌɪŋkrɪˈmentl ˈbʌdʒɪt/	An **incremental budget** is last year's budget plus a little more.
zero-based budget /ˈzɪərəʊ beɪst ˈbʌdʒɪt/	A **zero-based budget** starts from nothing each year.
variance /ˈveərɪəns/	A **variance** is the difference between budgeted and actual figures.

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favourable variance /ˈfeɪvərəbl ˈveərɪəns/	Spending less than planned gives a **favourable variance**.
adverse variance /ædˈvɜːs ˈveərɪəns/	An **adverse variance** means costs were higher than planned.

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