Finance and accounting (A Level)

A-Level Business · Vocabulary in context

Word	Example
financial statements /faɪˈnænʃl ˈsteɪtmənts/	The **financial statements** show a firm's profit and what it owns and owes.
income statement /ˈɪŋkʌm ˈsteɪtmənt/	The **income statement** shows the year's profit.
revenue /ˈrevənjuː/	Sales **revenue** is the money from selling goods.
cost of sales /kɒst ɒv seɪlz/	The **cost of sales** covers the goods sold during the period.
gross profit /grəʊs ˈprɒfɪt/	**Gross profit** is sales revenue minus the cost of the goods sold.
expenses /ekˈspensɪz/	Rent and wages are **expenses**.
operating profit /ˈɒpəreɪtɪŋ ˈprɒfɪt/	**Operating profit** is gross profit minus expenses.
net profit /net ˈprɒfɪt/	**Net profit** is the profit left after all costs, interest and tax.
statement of financial position /ˈsteɪtmənt ɒv faɪˈnænʃl pəˈzɪʃn/	The **statement of financial position** shows what the firm owns and owes on one day.
balance sheet /ˈbæləns ʃiːt/	The **balance sheet** shows what the business owns and owes.
non-current assets /nɒn ˈkʌrənt ˈæsets/	Buildings and machines are **non-current assets**.
current assets /ˈkʌrənt ˈæsets/	Cash and stock are **current assets**.

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current liabilities /ˈkʌrənt ˌlaɪəˈbɪlɪtiz/	Bills due within a year are **current liabilities**.
non-current liabilities /nɒn ˈkʌrənt ˌlaɪəˈbɪlɪtiz/	A ten-year bank loan is one of the firm's **non-current liabilities**.
equity /ˈekwɪti/	**Equity** is what the owners have left after all debts are paid.
depreciation (assets) /dɪˌpriːʃiˈeɪʃn/	**Depreciation (assets)** is the fall in value of a machine as it gets older.
stakeholders /ˈsteɪkhəʊldəz/	Customers and workers are **stakeholders** affected by business decisions.
ratio analysis /ˈreɪʃiəʊ əˈnæləsɪs/	**Ratio analysis** compares numbers in the accounts.
profitability /ˌprɒfɪtəˈbɪlɪti/	**Profitability** shows how well a firm turns sales into profit.
gross profit margin /grəʊs ˈprɒfɪt ˈmɑːdʒɪn/	The **gross profit margin** is gross profit as a percentage of sales.
operating profit margin /ˈɒpəreɪtɪŋ ˈprɒfɪt ˈmɑːdʒɪn/	The **operating profit margin** is operating profit as a percentage of sales.
return on capital employed /rɪˈtɜːn ɒn ˈkæpɪtl emˈplɔɪd/	**Return on capital employed** shows profit as a share of the money invested.
capital employed /ˈkæpɪtl emˈplɔɪd/	**Capital employed** is the total money invested in the business.
liquidity /lɪˈkwɪdɪti/	Enough **liquidity** means a firm can pay its bills on time.

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current ratio /ˈkʌrənt ˈreɪʃɪəʊ/	A **current ratio** of 2 means short-term assets are twice short-term debts. $\frac{2}{}$
acid test ratio /ˈæsɪd test ˈreɪʃɪəʊ/	The **acid test ratio** leaves stock out, because stock may be hard to sell.
efficiency /ɪˈfɪʃənsi/	A lamp with 20% **efficiency** turns only a fifth of its energy into light. $\frac{20\%}{}$
inventory turnover /ˈɪnvəntri ˈtɜːnəʊvə/	**Inventory turnover** shows how many times a year the firm sells its stock.
receivables days	**Receivables days** show how long customers take to pay.
payables days	**Payables days** show how long the firm takes to pay its suppliers.
gearing /ˈgɪərɪŋ/	High **gearing** means a large part of the firm's money is borrowed.
investment appraisal /ɪnˈvestmənt əˈpreɪzl/	**Investment appraisal** checks whether a project is worth the money.
payback period /ˈpeɪbæk ˈpɪərɪəd/	The **payback period** is how long it takes to earn back the money invested.
accounting rate of return /əˈkaʊntɪŋ reɪt ɒv rɪˈtɜːn/	The **accounting rate of return** is the average yearly profit as a percentage of the money invested.
net present value /net ˈprezənt ˈvæljuː/	**Net present value** adds up future cash in today's money, minus the cost.

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Word	Example
discounting /ˈdɪskaʊntɪŋ/	**Discounting** works out what future money is worth today.