Financial information and decisions

IGCSE Business Studies · Vocabulary in context

Word	Example
finance /ˈfaɪnæns/	The firm needs **finance** to buy new machines.
start-up capital /stɑːt ʌp ˈkæpɪtl/	She used her savings as **start-up capital**.
expansion /ekˈspænʃn/	During an **expansion**, more people find jobs.
working capital /ˈwɜːkɪŋ ˈkæpɪtl/	**Working capital** pays for day-to-day costs.
cash-flow /kæʃ fləʊ/	Good **cash-flow** means the firm can pay its bills.
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.
assets /ˈæsets/	Cash and equipment are business **assets**.
loan /ləʊn/	The bank gave the firm a **loan** to buy machines.
interest /ˈɪntrest/	Banks pay **interest** on savings.
overdraft /ˈəʊvədræft/	An **overdraft** allows a bank account to go below zero.
shares /ʃeəz/	She owns **shares** in the company, so she owns a small part of it.
debentures /deˈbentʃəz/	The company issued **debentures** to borrow money for ten years.

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Word	Example
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/	**Trade credit** lets the shop pay the supplier in 30 days. 30
microfinance /ˌmaɪkrəʊfaɪˈnæns/	**Microfinance** gives very small loans to poor people with no bank.
crowdfunding /ˈkraʊdfʌndɪŋ/	**Crowdfunding** raises small amounts from many people.
grants /grænts/	The government gives **grants** to small firms.
cash /kæʃ/	The shop keeps enough **cash** to pay its bills.
profit /ˈprɒfɪt/	If sales are bigger than costs, the firm makes a **profit**.
revenue /ˈrevənjuː/	Selling 30 loaves at $5 brings $150 of **revenue**. $5 30 $150
cash-flow forecast /kæʃ fləʊ ˈfɔːkæst/	A **cash-flow forecast** shows the money expected each month.
inflows /ˈɪnfləʊz/	Higher interest rates attract capital **inflows**.
outflows /aʊtˈfləʊz/	Lower interest rates cause capital **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.

Word	Example
closing balance /ˈkləʊzɪŋ ˈbæləns/	The **closing balance** is the cash at the end of the month.
current assets /ˈkʌrənt ˈæsets/	Cash and stock are **current assets**.
current liabilities /ˈkʌrənt ˌlaɪəˈbɪlɪtiz/	Bills due within a year are **current liabilities**.
income statement /ˈɪŋkʌm ˈsteɪtmənt/	An **income statement** shows revenue, costs and profit over a period.
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**.
profit for the year /ˈprɒfɪt fəðə jɪə/	The **profit for the year** was $50,000. $50,000
stakeholders /ˈsteɪkhəʊldəz/	Customers and workers are **stakeholders** affected by business decisions.
statement of financial position /ˈsteɪtmənt ɒv faɪˈnænʃl pəˈzɪʃn/	The **statement of financial position** shows what the firm owns and owes on one day.
liabilities /ˌlaɪəˈbɪlɪtiz/	Bank loans and unpaid supplier bills are **liabilities**.
non-current assets /nɒn ˈkʌrənt ˈæsets/	Buildings and machines are **non-current assets**.
inventory /ˈɪnvəntri/	**Inventory** is the stock of goods a firm keeps.

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Word	Example
non-current liabilities /nɒn ˈkʌrənt ˌlaɪəˈbɪlɪtiz/	A ten-year bank loan is one of the firm's **non-current liabilities**.
owners' equity /ˈəʊnəz ˈekwɪti/	**Owners' equity** is assets minus liabilities.
ratios /ˈreɪʃɪəʊz/	Financial **ratios** compare a firm's results over time.
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.
profit margin /ˈprɒfɪt ˈmɑːdʒɪn/	The **profit margin** shows how much of each sale is profit.
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.
current ratio /ˈkʌrənt ˈreɪʃɪəʊ/	A **current ratio** of 2 means short-term assets are twice short-term debts. 2
acid test ratio /ˈæsɪd test ˈreɪʃɪəʊ/	The **acid test ratio** leaves stock out, because stock may be hard to sell.
dividend /ˈdɪvɪdend/	Shareholders receive a **dividend** from the profit.