



# **Finance and Risk Management**

## **Handout I**

### **Glossary of Accounting Terms**

<b>TERM</b>	<b>DESCRIPTION</b>
<b>Accounting</b>	Recording of an entity's transactions using accounting methods and procedures.
<b>Accounting Convention</b>	Common practice universally followed in recording and presenting information – helps to compare data across units.
<b>Accounts Payable</b>	Money that is owed (buying goods on account or on credit).
<b>Accounts Receivable</b>	Money that should be collected from customers who bought on credit.
<b>Assets</b>	Economic resources that are expected to produce economic benefits for their owners such as buildings, vehicles or machinery.
<b>Bad debts</b>	When customers never pay what they owe.
<b>Balance Sheet</b>	Statement of an entity's position at a given date: assets = liabilities + equity.
<b>Budget</b>	A short-term financial plan.
<b>Cash Equivalents</b>	Not cash but can be converted into cash easily.
<b>Cash Flow Statement</b>	A statement showing sources and uses of funds and that explains the changes in cash and cash equivalents over the period of accounts.
<b>Creditor</b>	Someone to whom money is owed.
<b>Debtor</b>	Someone who owes us money.
<b>Depreciation</b>	A loss of value./The process of allocating the original purchase price of a fixed asset over the course of its useful life.

<b>TERM</b>	<b>DESCRIPTION</b>
<b>Director</b>	People appointed by the shareholders to manage the company.
<b>Equity</b>	Difference between the rand value, total assets and liabilities.
<b>Expense</b>	Decreases equity other relating distributions to participants.
<b>Elements</b>	Assets, liabilities, income, expenses and equity.
<b>Estimate</b>	Calculated guess based on forecasts.
<b>Forecasting</b>	Making predictions for the future.
<b>Freely Transferable</b>	When the general public are able to buy and sell their shares.
<b>Income</b>	Increases equity other relating contributions from participants.
<b>Income Statement</b>	A record of an entity's income and expenses for a specified period of time.
<b>Interest</b>	Percentage accumulated on monies invested or monies owed.
<b>Liabilities</b>	Present obligations resulting past settlement resulting outflows.
<b>Post</b>	The process of transferring information to a ledger.
<b>Prepaid Expense</b>	Portion of an expense has been paid off.
<b>Ratio</b>	Measures the relationship between two measurable items by dividing one item by another item.

<b>TERM</b>	<b>DESCRIPTION</b>
<b>Retained Earnings</b>	A portion of profit not drawn out by the owner.
<b>Return</b>	The owners earning a good return on investment in the business.
<b>Shares</b>	A unit of ownership in a company.
<b>Shareholder / Stockholder</b>	Individual who owns the shares.
<b>Tax</b>	Monies that are payable as a portion of income as per a country's legislation.
<b>Unbiased</b>	Serving accounting principles alone and not one's own interest.
<b>Wages</b>	Calculated by adding normal time and overtime.