

BUSINESS VITAMINS

Financial Terminologies – Part 1

Assets

The things you own. These can be cash or something you can convert into cash such as property, vehicles, equipment and inventory.

Audit

A check by an auditor or tax official on your financial records to check that you account for everything correctly.

Balance sheet

A snapshot of a business on a particular date. It lists all of your assets and liabilities and works out the net assets.

Bankruptcy

A process where an individual is legally bankrupt and an appointed trustee manages their assets and financial affairs.

Bookkeeping

The process of recording the financial transactions of a business.

Break-even point

The exact point when a business's income equals its expenses.

Capital

Wealth in the form of money or property owned by a business.

Capital cost

A one-off substantial purchase of physical items such as plant, equipment, building or land.

Capital gain

The amount gained when an asset sells above its original purchase price.

Capital growth

An increase in the value of an asset.

Cash flow

The measure of actual cash flowing in and out of a business.

Chattel mortgage

Similar to a hire-purchase agreement although the business owns the asset from the start. Chattel mortgages require regular ongoing payments and typically provide the option of reducing the payments through the use of a final 'balloon' payment.

Credit

A lending term for when a customer purchases a good or service with an agreement to pay at a later date. This could be an account with a supplier, a store credit card or a bank credit card.

Crowdfunding

Is a way of financing your business idea through donations of money from the public. This usually occurs online, through a crowdfunding website.

Debit

In double-entry bookkeeping, a debit is an entry made on the left-hand side of a journal or ledger representing an asset or expense.

Debt

Any amount that you owe including bills, loan repayments and income tax.

Depreciation

The process of offsetting an asset over a period of time. You can depreciate an asset to spread the cost of the asset over its useful life.

Disbursements

Money that a business spends.

Equity

The value of ownership interest in the business, calculated by deducting liabilities from assets.

Finance

Money used to fund a business or high value purchase.

Financial statement

A summary of a business's financial position for a given period. Financial statements can include a profit and loss, balance sheet and cash flow statement.

Fixed Assets

A physical asset used in the running of a business.

Fixed cost

A cost that is not part of producing a good or service.

Fixed interest rate

When the interest rate of a loan remains the same for the term of the loan or an agreed timeframe.

Reference:

<https://business.gov.au/finance/financial-tools-and-templates/key-financial-terms?fbclid=IwAR0NPTJSVCLtVR93N1xQMd73igkmhWLSduEGyPOIAsBQN68DNlolo38PFs>

