Financial Jargon Buster

Jargon	English
P&L	Profit & Loss Account – shows income and costs and the resulting profit or loss. Shows the true PERFORMANCE of that entity.
The 'Bottom Line'	What profit or loss before tax has been made (the definition in most organisations
Breakeven Point	Where income and costs are exactly the same therefore no profit or loss is made.
Income / Sales / Turnover / Revenue	Sales made in the period
Direct Costs / Cost of Sales	Those costs which are directly linked to the sale made – these costs could not have been incurred without that sale.
Overheads	Every-day expenses of running the business that are incurred regardless of whether any sales are made.
Fixed costs	Costs which are set in stone for a period of time, e.g. rent.
Variable costs	Costs which vary with usage, e.g. overtime.
Balance Sheet	Shows the assets and liabilities of a company.
Assets	Includes items such as land & buildings, motor vehicles, IT equipment and office furniture (known as 'fixed assets') in addition to customers who owe you money, any stock you own and what cash you have in the bank (known as 'current assets').
Liabilities	Includes what money you owe to your suppliers, the taxman and any loans or overdrafts you have.
Capital	Capital is money invested in a business. Note that assets on your balance sheet can also be called capital items (no wonder it gets confusing!)
Debtors	Customers who owe you money
Creditors	Suppliers you owe money to
Aged debtors report	Shows how much you are owed by each of your customers and how old that debt is. Report usually shows 30 days, 60 days, 90 days and beyond.
Aged creditors report	Shows how much you need to pay each of your suppliers and if you are overdue paying any of them. Report usually shows 30 days, 60 days, 90 days and beyond.
Stock / Inventory	Goods held by the business for re-sale to customers.
Depreciation	Shows the reduction in value of your assets over their useful lives. E.g. a car is worth less each year.
Over-trading	When companies expand too quickly which can cause them to run out of cash and therefore fail.
Working capital	Current assets less current liabilities on your balance sheet, i.e. any stock you hold + customers who owe you money + cash in the bank less suppliers you owe money to within the next year.