

THE
PENGUIN
BUSINESS
DICTIONARY

MICHAEL GREENER

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PREFACE

This is the third, and extensively revised, edition of a book which first appeared in 1970 as *The Penguin Dictionary of Commerce*.

In the preface of the second edition attention was drawn to the difficulties that necessarily attend the codification of a topic which is in a continual state of change. These problems have been exacerbated by the many and various shifts in both law and practice which have occurred in the intervening period, and although many of the entries remain essentially unchanged, a considerable amount of new material has been added which it is hoped will aid and inform the non-specialist in the contemporary business world. In an attempt to indicate more exactly the area covered and to keep the content within manageable limits, the book has been given a change of title.

Irrespective of this change, the objective remains the same. It is to provide a key to the multifarious rules and regulations which surround and attach to man's behaviour in the market place, whether that market place be the City of London, the local shopping precinct or the country fair.

These constraints have been developed progressively through the centuries. In so far as they were enshrined in statute or imposed by judicial precedent, they comprised what for many years was known as the law merchant, or, more commonly, mercantile law. Because so great a part of British trade was connected with the sea, much of that law was similarly orientated, and a tendency developed to equate mercantile law with that body of legislation appertaining to the mercantile marine, or Merchant Navy. With the object of dispersing such confusion the adjective 'mercantile' gradually gave way to the more neutral 'commercial' and the parameters within which both national and international trade were conducted came to be described as commercial law, or, more laconically, as commerce.

Recently, a further shift in nomenclature has taken place. The term 'commerce', with its slightly Dickensian overtones, has itself fallen into disfavour for being somewhat inappropriate in an age of advancing technology and the phrase 'business studies' has taken its place. Students who once studied the methodology of commerce now tend to pursue increasingly specialized courses in business studies at colleges of advanced technology.

The relaunching of an old product under a new label can often be dismissed as a cheap gimmick to boost flagging demand. On the other hand, a similar technique may be employed to call attention to changes in both design and substance which will render that product more relevant to the genuine needs of the market. The contribution of the service industries to the British economy is increasing at an extraordinary rate and the present financial services revolution looks certain to reinforce that trend considerably. It is in the light of these changes that the redesignation of this book as *The Penguin Business Dictionary* should be seen.

The context does not claim to be exhaustive and the balance must inevitably be open to criticism, but, in attempting to give a general insight to the casual inquirer, the needs of those seeking in-depth knowledge within particular areas must inevitably be sacrificed.

The aim has been twofold. It is, first, to provide a guide to those, whether they be students or inquisitive laymen, who wish to obtain some familiarity with the language and practices common to those who inhabit the corridors of national or international trade and finance, and, second, to supply those who may be experienced in certain specialized areas with rudimentary facts concerning matters outside their immediate remit.

Needless to say, one cannot hope to provide within limited space a comprehensive guide to the complex structure of the contemporary business world, nor a reliable key to the singular languages spoken therein. This is particularly so when that structure is expanding at a hitherto unprecedented rate and the jargon becoming daily more esoteric. The most that one can usefully do is attempt to give a broad overview of the paraphernalia of laws and practices as they exist at one selected point in time whilst, at the same time, highlighting areas and directions of change in a subject-matter which is as amorphous as it is immense.

In compiling a book of this nature it is inevitable that books written by specialists in various fields are combed for relevant material. These books number so many that it would be neither feasible nor practical to list them and a general acknowledgement of the help that their authors provided must suffice. Wherever possible, source material has been used. Various organizations and institutes were approached with the object of obtaining their own assessment of the role they occupied in, and the services they offered to, the business world. Most provided information in abundance and in expressing thanks I must apologize for the omission of so much of the material so generously supplied. I can only trust that in abstracting what seemed to be the salient facts I have done these bodies no disservice.

It only remains to acknowledge the debt owed to all those who assisted with the practical problems of putting the book together, not the least the editorial staff of Penguin Books, who curbed my wildest impulses and laid down necessary guidelines.

All the additional typing was elegantly effected by Ann Mabey, who showed considerable cryptographical expertise, not to mention immense patience, in making some sense out of my untidy and much annotated scripts. In the laborious business of proof reading, help was received from various sources. The principal burden was carried by my son Matthew but other sufferers included Lorna Palmer and my nephew and niece, Peter and Kate Harvey. To all these I can only say – thank you. I hope that the end product is not totally unworthy of the time and effort they most generously gave.

LIST OF ABBREVIATIONS

a. a.	always afloat
A. A. A. I.	Associate of the Institute of Administrative Accounting and Data Processing
A. A. I. A.	Associate of the Association of International Accountants
a. a. r.	against all risks
A. B.	Able-bodied Seaman
A. B. A. A.	Associate of the British Association of Accountants and Auditors
A. B. I.	Association of British Insurers
A. B. P.	Associated British Ports
a/c	account
A. C. A.	Associate of the Institute of Chartered Accountants in England and Wales
A. C. A. S.	Advisory Conciliation and Arbitration Service
A. C. C. A.	Associate of the Association of Certified and Corporate Accountants, now known as the Chartered Association of Certified Accountants
A. C. E. A.	Associate of the Association of Cost and Executive Accountants
A. C. I. S.	Associate of the Chartered Institute of Secretaries and Administrators
A. C. M. A.	Associate of the Institute of Cost and Management Accountants
A. C. T.	advance corporation tax
A. D. P.	automatic data processing
A. D. R.	American depositary receipt
A. E. A.	Atomic Energy Authority
AG	Aktiengesellschaft (type of German company)
A. G. M.	annual general meeting
A. H. C.	Accepting Houses Committee
A. I. A.	Associate of the Institute of Actuaries
A. I. B.	Associate of the Institute of Bankers
A. I. C. S.	Associate of the Institute of Chartered Shipbrokers
A. I. D.	Agency for International Development
A. I. M. T. A.	Associate of the Institute of Municipal Treasurers and Accountants
A. I. Q. S.	Associate of the Institute of Quantity Surveyors
A. M. A.	American Management Association
A. P. R.	annual percentage rate
A. P. T.	advanced passenger train
A. Q. L.	acceptable quality level
A. R. C.	Agricultural Research Council
A. R. C. A.	Associate of the Royal College of Art
A. R. C. U. K.	Architects Registration Council of the United Kingdom
A. R. I. B. A.	Associate of the Royal Institute of British Architects
A. R. I. C. S.	Associate of the Royal Institution of Chartered Surveyors
A/S	Designation for a Scandinavian Company. Aksjesselskap (Norway). Aktieselskab (Denmark)
A. S. C. A.	Associate of the Society of Company and Commercial Accountants
A. S. L. E. F.	Associated Society of Locomotive Engineers and Firemen
A. S. S. C.	Accounting Standards Steering Committee
A. S. T. M. S.	Association of Scientific, Technical and Managerial Staffs
A. S. V. A.	Associate of the Incorporated Society of Valuers and Auctioneers
A. T. I. I.	Associate of the Institute of Taxation
A. U. E. W.	Associated Union of Engineering Workers
B. A.	British Airways

List of Abbreviations

B.A.A.	British Airports Authority
BASIC	Beginners All-purpose Symbolic Instruction Code
B.A.T.	British American Tobacco
B.B.A.	British Bankers Association
b/d	brought down
B.E.H.A.	British Export Houses Association
B.E.S.	Business Expansion Scheme
b/f	brought forward
B.I.B.A.	British Insurance Brokers Association
BIFFEX	Baltic International Freight Futures Exchange
B.I.M.	British Institute of Management
B.I.S.	Bank for International Settlements
B/L, b.l.	bill of lading
B.O.T.B.	British Overseas Trade Board
B.P.	British Petroleum
B.P.C.	British Productivity Council
B.R.	British Rail
B.R.S.	British Road Services
B.S.C.	British Steel Corporation
B.S.I.	British Standards Institution
B.S.T.	British Standard Time; British Summer Time
B.T.	British Telecom
B.T.C.	British Transport Commission
B.T.D.B.	British Transport Docks Board
B.T.G.	British Transport Group
B.T.R.	British Tyre and Rubber Group
B.U.P.A.	British United Provident Association
B.W.B.	British Waterways Board
C.A.	Chartered Accountant (Scottish Institute)
C.A.A.	Civil Aviation Authority
CAMRA	Campaign for Real Ale
C.A.P.	Common Agricultural Policy
Caricom	Caribbean Community and Common Market
C.B.I.	Confederation of British Industry
cc	cubic centimetres
C.C.A.	current cost accounting
C.C.T.	Common Customs Tariff
c/d	carried down
C.D.C.	Commonwealth Development Corporation
C.E.	Civil Engineer
C.E.G.B.	Central Electricity Generating Board
C. Eng.	Chartered Engineer
C.E.T.	Central European Time; Common External Tariff
C. & E.	Customs and Excise
c/f	carried forward
c. & f.	cost and freight
c.i.f.	cost, insurance and freight
c.i.f.i.	cost, insurance, freight and interest
C.I.R.	Commissioners of Inland Revenue
c/o	care of
COBOL	Common Business Orientated Language
C.O.D.	cash on delivery
C.O.H.S.E.	Confederation of Health Service Employees
C.O.I.	Central Office of Information
COMECON	Council for Mutual Economic Aid
C.P.A.	Critical Path Analysis; Certified Public Accountant
C.P.P.	current purchasing power (accounting)
C.P.R.E.	Council for the Protection of Rural England

C.P.S.A.	Civil and Public Services Association
Cr.	creditor
C.S.E.	Certificate of Secondary Education
C.S.O.	Central Statistical Office
C.T.T.	capital transfer tax
D/A.	deposit account; documents for acceptance
D.B.S.T.	Double British Summer Time
D.C.F.	discounted cash flow
D.D.	direct debit; demand draft
D.E.	Department of Employment
D.E.P.	Department of Employment and Productivity
D.H.S.S.	Department of Health and Social Security
Dip. Ed.	Diploma in Education
Dip. H.E.	Diploma in Higher Education
D.M.S.	Diploma in Management Studies
D.o.E.	Department of the Environment
dpt	department
Dr.	debtor
D.T.I.	Department of Trade and Industry
d.w.t.	dead weight tonnage
dwt	pennyweight
E.C.G.D.	Export Credits Guarantee Department
E.C.S.C.	European Coal and Steel Community
E.C.U.	European Currency Unit
E.D.I.T.H.	Estate Duties Investment Trust
E.D.P.	electronic data processing
E.E.C.	European Economic Community
E.F.T.A.	European Free Trade Area
E.F.T.P.O.S	Electronic Funds Transfer at Point of Sale
E.I.B.	European Investment Bank
E.I.R.	earned income relief
E.M.A.	European Monetary Agreement
E.M.I.	Electrical and Musical Industries Ltd
E.M.I.P.	equivalent mean investment period
E.M.S.	European Monetary System
Encl.	enclosures
E.P.U.	European Payments Union
E.T.A.	estimated time of arrival
Euratom	European Atomic Energy Community
E. & O.E.	errors and omissions excepted
f.a.a.	free of all average
F.A.I.A.	Fellow of the Association of International Accountants
f.a.s.	free alongside ship
Fax	Facsimile
F.B.A.A.	Fellow of the British Association of Accountants and Auditors
F.B.I.	Federation of British Industries
F.B.I.M.	Fellow of the British Institute of Management
F.C.A.	Fellow of the Institute of Chartered Accountants in England and Wales
F.C.C.A.	Fellow of the Chartered Association of Certified Accountants
F.C.E.A.	Fellow of the Association of Cost and Executive Accountants
F.C.I.A.	Fellow of the Corporation of Insurance Agents
F.C.I.I.	Fellow of the Chartered Insurance Institute
F.C.I.S.	Fellow of the Chartered Institute of Secretaries and Administrators
F.C.M.A.	Fellow of the Institute of Cost and Management Accountants
F.H.A.	Finance Houses Association
F.I.A.	Fellow of the Institute of Actuaries

List of Abbreviations

F.I.B.	Fellow of the Institute of Bankers
F.I.C.E.	Fellow of the Institution of Civil Engineers
F.I.C.S.	Fellow of the Institution of Chartered Shipbrokers
F.I.F.O.	first in first out
F.I.M.B.R.A.	Financial Intermediaries and Brokers Regulatory Authority
F.I.M.T.A.	Fellow of the Institute of Municipal Treasurers and Accountants
F.I.Q.S.	Fellow of the Institute of Quantity Surveyors
F.I.S.	family income supplement
f.o.b.	free on board
FORTRAN	FORmula TRANslation
f.p.a.	free from particular average
F.R.I.B.A.	Fellow of the Royal Institute of British Architects
F.R.I.C.S.	Fellow of the Royal Institution of Chartered Surveyors
F.R.S.A.	Fellow of the Royal Society of Arts
F.S.S.	Fellow of the Statistical Society
F.S.V.A.	Fellow of the Incorporated Society of Valuers and Auctioneers
F.T.	Financial Times
F.T.I.I.	Fellow of the Institute of Taxation
G.A.F.T.A.	Grain and Free Trade Association
G.A.T.T.	General Agreement on Tariffs and Trade
G.C.E.	General Certificate of Education
G.E.C.	General Electric Company
GmbH	Gesellschaft mit beschränkter Haftung (type of German company)
G.M.T.	Greenwich Mean Time
G.N.P.	Gross National Product
G.S.S.	Government Statistical Service
H.C.F.	highest common factor
H.M.I.	Her Majesty's Inspector
H.M.S.	Her Majesty's Ship
H.M.S.O.	Her Majesty's Stationery Office
H.N.C.	Higher National Certificate
H.N.D.	Higher National Diploma
H.P.	hire purchase
h.p.	horse power
H.W.M.	high water mark
I.A.A.S.	Incorporated Association of Architects and Surveyors
I.A.E.A.	International Atomic Energy Agency
I.A.T.A.	International Air Transport Association
I.B.A.	International Bankers Association; Independent Broadcasting Authority
I.B.M.	International Business Machines
I.B.R.C.	Insurance Brokers Registration Council
I.B.R.D.	International Bank for Reconstruction and Development
I.C.A.	Institute of Chartered Accountants
I.C.A.B.	International Cargo Advisory Bureau
I.C.A.O.	International Civil Aviation Organization
I.C.A.S.	Institute of Chartered Accountants of Scotland
I.C.C.H.	International Commodities Clearing House
I.C.F.C.	Industrial and Commercial Finance Corporation
I.C.I.	Imperial Chemical Industries
I.C.M.A.	Institute of Cost and Management Accountants
I.C.T.	International Computers and Tabulators
i.d.b.	inter-dealer broker
I.F.C.	International Finance Corporation
I.H.A.	Issuing Houses Association
I.L.O.	International Labour Organization
I.M.	Institute of Marketing

I.M.F.	International Monetary Fund
Intelstat	International Telecommunications Satellite Consortium
I.O.M.	Institute of Office Management
I.P.F.A.	Institute of Public Finance and Accountancy
I.P.M.	Institute of Personnel Management
I.Q.S.	Institute of Quantity Surveyors
I.R.	Inland Revenue
I.R.C.	Industrial Reorganization Corporation
I.S.F.A.	Institute of Shipping and Forwarding Agents
I.S.R.O.	International Securities Regulatory Organization
I.S.T.	Institute of Science and Technology
I.S.T.C.	Iron and Steel Trades Confederation
I.T.A.	Independent Television Authority
I.T.O.	International Trade Organization
I.T.U.	International Telecommunications Union
I.W.A.	International Waterways Association
I.W.M.	Institute of Works Management
I.W.S.P.	Institute of Work Study Practitioners
J.C.B.	Joseph C. Bamford
J.Dip. M.A.	Joint Diploma in Management Studies
J.I.C.	Joint Industrial Council
kW	kilowatt
kWh	kilowatt hour
L.A.F.T.A.	Latin American Free Trade Association
L.C.D.	lowest common denominator
L.C.E.	London Commodity Exchange
L.C.M.	least common multiple
L.E.A.	Local Education Authority
L.I.F.F.E.	London International Financial Futures Exchange
L.I.F.O.	last in first out
L.M.E.	London Metal Exchange
L.R.I.B.A.	Licentiate of the Royal Institute of British Architects
L.S.D.	<i>librae, solidi, denarii</i> (pounds, shillings and pence – old money)
L.S.E.	London School of Economics
Ltd	Limited
L.W.M.	low water mark
M.B.I.M.	Member of the British Institute of Management
M.E.P.	Member of the European Parliament
M.I.C.E.	Member of the Institution of Civil Engineers
M.I.E.E.	Member of the Institution of Electrical Engineers
M.I.Mech.E.	Member of the Institution of Mechanical Engineers
M.I.O.M.	Member of the Institute of Office Management
M.I.P.E.	Member of the Institution of Production Engineers
M.I.R.A.S.	Mortgage Interest Relief at Source
M.I.T.	Massachusetts Institute of Technology
M.I.W.M.	Member of the Institution of Works Management
M.L.R.	minimum lending rate
M.O.T.	Ministry of Transport (now the Department of Transport)
MS	manuscript
M.T.F.S.	Medium Term Financial Strategy
N.A.L.G.O.	National and Local Government Officers Association
N.A.S.D.I.M.	National Association of Securities Dealers and Investment Managers
N.A.T.S.	National Air Traffic Services
N.C.B.	National Coal Board (now called British Coal)

List of Abbreviations

N.D.P.S.	National Data Processing Service
N.E.D.C.	National Economic Development Council
N.E.D.O.	National Economic Development Office
N.E.R.C.	National Environment Research Council
N.G.A.	National Graphical Association
N.H.S.	National Health Service
N.I.C.	National Insurance contribution; National Insurance Commissioners
N.P.	Notary Public
N.P.V.	no par value; net present value
N.R.D.C.	National Research Development Corporation
N.S.B.	National Savings Bank
N.U.J.	National Union of Journalists
N.U.M.	National Union of Mineworkers
N.U.P.E.	National Union of Public Employees
N.U.R.	National Union of Railwaymen
N.U.S.	National Union of Seamen; National Union of Students
N.U.T.	National Union of Teachers
N.V.	Naamloze Vennootschap (type of Dutch company)
O.A.P.E.C.	Organization of Arab Petroleum Exporting Countries
O.E.C.D.	Organization for European Cooperation and Development
O.E.E.C.	Organization for European Economic Cooperation
O.F.T.E.L.	Office of Telecommunications
O.H.M.S.	On Her Majesty's Service
O. & M.	organization and method
O.N.C.	Ordinary National Certificate
O.N.D.	Ordinary National Diploma
O.P.E.C.	Organization of Petroleum Exporting Countries
O.R.	operational research
O.T.C.	over-the-counter market
P.A.Y.E.	pay as you earn
P.C.	Price Commission
P.E.	price earnings
P.E.R.T.	Programme Evaluation and Review Techniques
P.I.B.	Prices and Incomes Board
P.L.A.	Port of London Authority
P.L.C., plc	public limited company
P.L.R.	public lending right
P.O.	Post Office; postal order
P.O.P.	Post Office Preferred
P.O.W.U.	Post Office Workers Union
p.p.	<i>per procuracionem</i> (on behalf of)
P.P.I.	policy proof of interest
P.R.	public relations
P.R.O.	Public Relations Officer
P.S.B.R.	Public Sector Borrowing Requirement
Pty	Proprietary Company
Q.A.N.T.A.S.	Queensland and Northern Territories Aerial Services
Quango	quasi-autonomous non-governmental organization
R. & D.	research and development
R.H.A.	Road Haulage Association
R.I.B.A.	Royal Institute of British Architects
R.I.E.	Recognized Investment Exchange
R.M.S.	Royal Mail Steamer
R.M.S.D.	Royal Mail Special Delivery

R.P.M.	resale price maintenance
r.p.m.	revolutions per minute
R.S.A.	Royal Society of Arts
S.A.	Société Anonyme (type of French company)
s.a.e.	stamped addressed envelope
S.A.Y.E.	save as you earn
S.D.R.	special drawing rights
S.E.	Stock Exchange
S.E.A.Q.	Stock Exchange Automated Quotation System
S.E.C.	Securities and Exchange Commission (American)
Sepon	Stock Exchange Pool Nominees
S.E.R.P.S.	State Earnings-Related Pensions Scheme
S.E.T.	selective employment tax
S.I.	Système International d'Unités (international measurement system); statutory instrument
S.I.B.	Securities and Investments Board
S.I.C.	Standard Industrial Classification
S.O.G.A.T.	Society of Graphical and Allied Trades
S.R.L.	Société à Responsabilité Limitée (type of French company)
S.R.O.	self-regulatory organization
S.S.A.P.	Statement of Standard Accounting Practice
S.S.P.	Statutory Sick Pay
S.T.A.G.S.	Sterling Transferable Accruing Government Securities
S.T.D.	subscriber trunk dialling
stet	let it stand, reinstate
TALISMAN	Transfer Accounting Lodgement for Investors
T.D.C.	Technical Development Corporation
T.D.R.	Treasury Deposit Receipt
T.G.W.U.	Transport and General Workers Union
T.M.A.	Terminal Market Associations
T.S.B.	Trustee Savings Bank
T.S.S.A.	Transport Salaried Staffs Association
T.U.C.	Trades Union Congress
U.N.C.T.A.D.	United Nations Conference on Trade and Development
U.N.E.S.C.O.	United Nations Educational, Scientific and Cultural Organization
U.N.R.R.A.	United Nations Relief and Rehabilitation Association
V.A.T.	value added tax
V.C.R.	video-cassette recorder
V.D.U.	visual display unit
W.C.L.	World Confederation of Labour
W.E.A.	Workers' Educational Association
W.F.T.U.	World Federation of Trade Unions
W.I.P.	work in progress
xd	ex dividend

NOTES ON USING THE DICTIONARY

Words and phrases printed in small capital letters are separately defined elsewhere in the dictionary. Those at the end of an entry and preceded by ϕ should be followed up to obtain a better understanding of the subject.

Alphabetical order follows Telephone Directory practice in that only the first word (excluding 'a' or 'the') counts for alphabetical purposes.

A

a.a. 'Always afloat' relates to MARINE CHARTERING. The charterer agrees that the ship will remain afloat whether at port or at sea during the time of the charter. This is to avoid damage to the hull, which is more vulnerable out of the water.

'A' list of contributories. ◊ CONTRIBUTORY.

'A' ordinary shares. The prefix 'A' or 'B' to shares normally denotes some curtailments of the rights customarily or legally attaching to those shares. In the majority of cases 'A' shares are non-voting shares. They are frequently issued when the majority shareholders of a company wish to raise additional risk capital without either committing themselves to a fixed annual dividend or diluting their real control. For this reason they are frowned upon officially by the Stock Exchange but, to date, no unequivocal move has been made to eliminate them from the official listings of share dealings or prices.

There are fewer new issues of these shares now than in the past since the institutional investors, who make up an increasingly high proportion of the shareholding public, are not prepared to take up risk capital where there is no corresponding element of control. ◊ SHARES: ORDINARY.

A1. A term particularly applicable to shipping. When applied to a ship, the letter indicates the condition of the hull and the number the condition of the trappings. To be A1 is therefore to be in perfect condition.

To be more precise, 100 A1 after a Maltese Cross indicates that the ship was built completely under Lloyd's survey. Without the cross, it indicates that it was built to Lloyd's specifications.

The term is now also used in a more general sense.

Abacus. A piece of equipment, as opposed to a machine proper, still used in Eastern countries by skilled operators for making arithmetical calculations. Based on a system of beads on wires, it can, when used by the expert, often match the speed of Western adding machines in arriving at the correct

answers to quite complex problems, particularly those involving the addition of a multitude of figures.

Abandonment. A MARINE INSURANCE term for abandoning a ship as dangerous or unseaworthy. This would normally be a total loss and the insurer would have a right to claim the subject matter. Notice of abandonment should be given to the insurer immediately.

Able-bodied seaman. Strictly, one who has served three years before the mast, at least one of them in a trading vessel.

Above par. A STOCK EXCHANGE term: SHARES are said to be above par when their PRICE is above the shares NOMINAL VALUE.

Accelerated depreciation. Effectively a synonym for taxation deferred through anticipating CAPITAL ALLOWANCES on plant, machinery, etc. In recent years, the Treasury offered aid to industry in combating the ravages of inflation and subsequent cash shortages by allowing fixed assets to be completely written off for tax purposes within the first year or few years of acquisition. By being able to increase, often substantially, capital allowances available for setting off against profits, the businesses concerned could lower their immediate tax liability and thereby make more monies available for reinvestment. This privilege was abolished in March 1984.

Acceptance. When a CONTRACT is made there must be both OFFER and acceptance, unless it is a CONTRACT BY DEED. If one person offers to do something for another, the contract is not complete until the offer is accepted. Acceptance must be in the same terms as the offer and must be communicated to the offeror. A conditional acceptance is equivalent to an offer and is not an acceptance.

Acceptance for honour. ◊ ACCEPTANCE SUPRA PROTEST.

Acceptance supra protest. If a BILL OF EXCHANGE is protested and then accepted by another party to save the name of the drawer, this is known as

Acceptilation

acceptance *supra protest*, or acceptance for honour.

Acceptilation. A term used in Scottish law: it means formal release from debt.

Accepting house or Acceptance house. A financial enterprise whose principal function lies in facilitating the negotiation of **BILLS OF EXCHANGE** either by accepting them or guaranteeing them. The main offices of these houses are situated near the central bank and other institutions concerned with the smooth running of the country's financial system. They have in modern times become very much like merchant banks and usually operate as such. Most are members of the **ACCEPTING HOUSES COMMITTEE**, which was established to ensure maximum collaboration between them and generally to oversee their business. Today, these houses also hold a large portion of the country's **STERLING BALANCES**.

The signature of an established accepting house on a bill of exchange is a sign of the reliability of that bill and will enable the holder to discount it at the most favourable rates. In their modern role of **MERCHANT BANKS** they also add speed to international trade by lending money to an exporter on a **TRADE BILL**, thus bridging the gap between the release of goods and payment by the foreign buyer. Such a loan is sometimes referred to as an 'acceptance credit'.

Accepting Houses Committee. Comprised of leading accepting houses and the major merchant banks, it was set up originally to supervise accepting houses and dealings in **FINE BILLS** generally. Membership is normally reserved for merchant banks and accepting houses whose bills are freely taken by the Bank of England and are of the highest quality. ◊ **ACCEPTING HOUSE**.

Acceptor. The person drawing a **BILL OF EXCHANGE** is the drawer and the person on whom the bill is drawn is the drawee. When the drawee has accepted the bill, i.e. has accepted liability, he is known as the acceptor. The normal form of acceptance is by signature on the face of the bill. He cannot deny the existence and capacity of the drawer or payee or the signature of the drawer - he can, however, question an **ENDORSEMENT** (he would not be obliged to pay on a forged endorsement). Delivery is necessary for complete acceptance: this means the acceptor willingly parts with possession or gives notice of acceptance. If the bill is in the hands of a **HOLDER IN DUE COURSE**, delivery is presumed.

It is possible for a bill to be negotiated before acceptance. It is then up to the holder of the bill to present it for acceptance before or at the time of payment. Presentation for acceptance is not obligatory except where the bill so stipulates or where it is payable after sight, or payable elsewhere than at the residence or place of business of the drawee.

Access. ◊ **CREDIT CARD**.

Accommodation bill. A **BILL OF EXCHANGE** signed by one person to accommodate another. The person signing is a **GUARANTOR** and receives no **CONSIDERATION**. Once value has been given for the bill, he is liable should the **ACCEPTOR** fail to pay at the proper time.

Accord and satisfaction. When one party has completed his obligations in a **CONTRACT** he may agree to release the other party from that party's obligations. This may be by a document under seal, or by receiving some new **CONSIDERATION**. Release in return for new consideration is known as accord and satisfaction.

Account, credit. A term normally reserved for credit arrangements made by a purchaser with a particular trader. The purchaser is permitted to buy goods up to a certain value without paying for them on acquisition - the value is set as a maximum for a specific time-limit, often one month. He receives a summary of his transactions at agreed intervals and pays on a basis specified when the account is opened. There is an increasing tendency to use this method, but with certain variations that protect the vendor, e.g. it is not uncommon for a person to open a credit account at a store and to pay fixed monthly amounts from the date of commencement. He may then obtain goods when needed up to a limit fixed at the time of the original agreement. ◊ **CREDIT** ◊ **CREDIT CARD**.

Account, current. A current account normally refers to an account kept at a **BANK** against which **CHEQUES** may be drawn. Cheque books are free but most banks make charges based on the number of cheques drawn. These charges are frequently dropped or reduced (depending on the particular bank) when the balance maintained in the account is always above a certain minimum. Customers receive periodic **BANK STATEMENTS** which detail the transactions on their account and show the balance at the date of sending. Customers sometimes make arrangements with the bank, through

the manager, for the drawing out of monies in excess of those deposited. These are known as **OVERDRAFT** facilities and are more frequent with business than with private customers. If such facilities have not been arranged the bank may quite properly refuse to honour a cheque drawn on an account with insufficient funds to cover it. ◊ **BANK CHARGES** ◊ **BANK LOAN** ◊ **BANK OVERDRAFT** ◊ **STANDING ORDER** ◊ **CHEQUE CARD**.

Account days. A **STOCK EXCHANGE** term for the days set aside for the settlement of accounts (bargains between members). They are also called 'settling days'. Transactions in **GILT-EDGED SECURITIES** are accounted for daily, other transactions are settled fortnightly on alternate Mondays. Clients receive statements on preceding Thursdays to give them time to send in the necessary money. Accounts may be carried over from one period of account to another – a payment is made for this privilege, known as **contango**, or the **contango rate**. (Strictly speaking, this applies to transactions where the buyer does not wish to take up the **SHARES** at the particular time, i.e. **BULL** transactions.) Where it is a question of the non-delivery of shares, e.g. where the client has not yet obtained them and does not wish to at prevailing prices, the rate is known as **BACKWARDATION**.

Account, deposit. Deposit accounts are those kept at a **BANK** more for the storing of money than for facilitating everyday financial activities – the latter being the prime function of a current account. ◊ **ACCOUNT, CURRENT**. The bank will pay interest on monies placed in a deposit account and left there for a minimum period, usually seven days, the rate of interest varying with general market rates. At one time it was directly linked to **BANK RATE**, being fixed at 2 per cent below that rate, but in more recent years the link has been modified and is fixed by the **CLEARING BANKS** themselves. The interest paid is added to the outstanding balance unless other arrangements have been made and, to this extent, is compound rather than simple **INTEREST**.

It is not unusual for customers to make arrangements with their bankers to transfer amounts, normally fixed in advance, between their current and deposit accounts to maximize the interest earned. In the ultimate case the customer may pay all monies directly into his deposit account and instruct the bank to feed the current account from it

in sums of, say, £50. The customer will then make payments by cheques drawn upon his current account.

Banks also operate savings accounts, which are similar in effect to deposit accounts but aimed at the small saver.

An alternative to placing money in a deposit account and an opportunity to earn substantially greater rates of interest can occur where a customer lends his money to the bank for a fixed period at a prearranged and fixed interest rate. Withdrawals during the period stated are not possible without vacating the contract and the bank is normally only willing to accept loans of fairly substantial sums, e.g. over £10,000.

Account executive. A term used to describe an employee of an **ADVERTISING AGENCY** who carries full responsibility for looking after the affairs of one or more of the agency's clients, i.e. has complete responsibility for particular advertising contracts and their fulfilment.

Account payee. One of the various phrases in use which concern the crossing of **CHEQUES**. The practice of crossing cheques is, though common, fraught with misconceptions. Strictly speaking the only legally binding rule is that the crossing of a cheque prevents the holder from presenting it for cash. A crossed cheque can only be paid into a bank account – though banks are generally cautious even when an uncrossed cheque is presented for cash over the counter and will tend to contact the **DRAWER** before accepting it.

When a cheque is crossed with the addition of the words 'account payee' or 'account payee only' the intention of the drawer is that the monies should be paid into the account of the payee himself. Although the bank is not legally bound to take this as an instruction it could be guilty of negligence if it did not take due care in accepting the cheque. ◊ **CHEQUE CROSSINGS** ◊ **CROSSING, GENERAL** ◊ **CROSSING, SPECIAL**.

Account, sales. A term used when **GOODS** are consigned for sale to an **AGENT** in another country. The agent submits an account of sales to the **CONSIGNOR** of the goods, giving details of the goods sold, together with the selling price, **COMMISSION**, expenses and the **NET PROFIT**. It usually accompanies the amount due.

Account stated. An account showing a **BALANCE** agreed on by two parties as due

from one to another. It is legally binding unless it can be shown to be untrue.

Account, trading. This shows income from SALES and deductions from them, together with the cost of buying the GOODS and/or putting them into a condition for sale. The final figure is the GROSS PROFIT on trading which is transferred to the PROFIT AND LOSS ACCOUNT.

Accountant. Generally speaking the term accountant refers to a person who is responsible for preparing and keeping the accounts of an organization. In a more specific sense it is used, with a prefix such as 'Chief' or 'Assistant' or 'Cost', to denote a post of financial responsibility in industry or commerce, e.g. the chief accountant of a business is the person appointed to control the financial running of the concern and, with his staff, to keep all books and records demanded by law or by the proprietor(s). His position is one of considerable responsibility.

The term is also used in a generic sense much as the term 'lawyer'. Any unqualified person may set up in business as an 'accountant' and take in work - usually tax work. He may advertise himself as such but must not, by the use of a prefix or suffix, suggest that he is a member of a professional association. ◊ AUDITOR ◊ CERTIFIED ACCOUNTANT ◊ CHARTERED ACCOUNTANT ◊ COMPANY ACCOUNTANT ◊ COST ACCOUNTANT ◊ MANAGEMENT ACCOUNTANT.

Accounting for inflation. Published accounts are commonly prepared on HISTORICAL COST ACCOUNTING principles. In times of inflation such accounts do not give an accurate picture of real profits or the real present value of CAPITAL EMPLOYED. In order to give both the public and the investor a proper appreciation of business results it is thought desirable to eliminate, as far as possible, variations that result from, and only from, changes in the value of money, e.g. if the price level has doubled over five years or, which is to state the same point, the value of money has halved over that period, then a profit of £200,000 this year is not worth the same amount as that sum five years ago. Over such a period a business would need to have doubled its profits, just to remain on an even keel.

In order to reflect the effect of inflation on published figures various accounting measures have been proposed. However, none has yet found sufficient support in

financial circles to be enshrined in law, particularly in company law inasmuch as most of the nation's business is conducted by companies of one kind or another. Each proposed system has been attacked for a different reason and one of the more common objections relates to the fact that in times of inflation not all prices increase at the same rate and, even if they do, it is necessary to make the almost impossible distinction between increases due to inflation and increases due to improvement in the asset purchased.

Despite the many differences of opinion, however, there is fairly general agreement about the need for change in accounting techniques, and although no final steps have been taken to alter the method of providing annual accounts, many companies append statements to the filed copies of their accounts which show the existing figures adjusted for changes in relevant price levels.

In 1980 after much heart-searching the major accounting bodies agreed that a form of CURRENT COST ACCOUNTING should be introduced and that larger public companies should include with their annual accounts an additional set of accounts based on current cost accounting principles, which, as set out in S.S.A.P. 16, are a modified version of those recommended by the Sandilands Committee. Whilst there were no statutory requirements for such additional accounts to be prepared, members of the accountancy bodies were expected to conform to the proposals and auditors were to give reasons if current cost information was excluded. The majority of the public companies concerned did, in fact, supply the additional accounts, though not always with enthusiasm or conviction. The experiment was initially for a three-year period. There were, however, reservations within the accounting profession as to the efficacy of the system and this, together with the failure of many major companies to comply with the recommendations, has led to the proposals being temporarily aborted. The need to establish a reliable method of accounting for inflation is still, nonetheless, seen by the professional bodies as of considerable importance.

There is now an additional and statutory reason for the resolution of this matter. The 1985 Companies Act, repealing a provision first appearing in the 1981 Companies Act, supplies ALTERNATIVE ACCOUNTING