

HARRAP'S

D I C T I O N A R Y O F

BUSINESS & FINANCE



HARRAP'S
DICTIONARY OF
BUSINESS
& FINANCE

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Preface

The world of business and finance is ever-changing, and as it changes, its language changes too. New trading regulations, the introduction of more sophisticated electronic communications and information equipment, and the upsurge of new markets, have all been catalysts for growth in the language of every form of business activity. As the world is transformed ever more rapidly into a "global village", words from other languages begin to filter through into English. In a fast-moving environment such as this, shorthand terms and acronyms become standard speech, and even words coined in moments of levity may acquire currency, at least for a while.

Harrap's Dictionary of Business and Finance has been created to facilitate access to this mercurial and potentially confusing world. It concentrates on words and phrases in everyday business usage, and endeavours to make clear not only their meaning, but also, where appropriate, the way in which they are used. Many words have come into currency while this Dictionary was being compiled and special care has been taken to include these with definitions that are as accurate as possible at the time.

However, many new words evolve and change their meanings subtly. Some disappear as fast as they appeared, and we can be certain that yet other new words will emerge even as the Dictionary runs on press. Because a dictionary, like the language it seeks to represent, is a living thing, the editors will always be glad to hear about alternative definitions or usages, and indeed, any new words.

It is the purpose of this Dictionary to assist learning. Therefore, single-word entries are listed alphabetically, with any variations and abbreviations. Terms with two or more words are listed under the noun so that a comparison may be drawn. Furthermore, entries are cross-referenced to related entries. Many of the entries include sentences to give the reader a clear idea of the way in which terms are used. Optional words or phrases, in brackets, are ignored for the purposes of alphabetization.

L. B. — Clark Robinson Limited, London 1988

A

A1 The best. The term originates in shipping, where A1 denotes a vessel that is in perfect condition, the letter referring to the condition of the hull and the number to the condition of the ship's trappings.

"The ship was registered A1 at Lloyd's."

More generally,

"The food at that restaurant is always A1."

See also **Lloyd's**.

AAA = triple A

AAR Abbreviation of **against all risks**.

abandonment Act of passing ownership of insured property to the insurer in the event of a total **loss**. This takes place in certain circumstances, if the loss is unavoidable, or if the cost of repair exceeds the value of the property. Abandonment occurs most often in marine insurance when a vessel is declared dangerous or unseaworthy.

"The ship was stranded on a reef and could not be salvaged, so the owners declared a constructive total loss and gave the underwriters notice of abandonment."

See also **insurance, marine; loss, constructive total; underwriter**.

abatement Reduction.

"They expected an abatement in the number of companies making staff redundant within the next two months."

The term should not be confused with **rebate**.

ABC code = code, commercial

ability-to-pay taxation = taxation, ability-to-pay

above-the-line Term in accounting that distinguishes between extraordinary and exceptional **costs**. *See also* **advertising, above-the-line**.

above par

above par Normally used of a **share** that has a market value above its denomination or par value. *See value, par.*

"The shares of G & B Electronics were traded above par for the first time today."

absenteeism Absence from work for no valid reason.

"The high rate of absenteeism contributed to the authorities' decision to make New Year's Day a public holiday."

absolute advantage Argument in favour of international trade, put forward by **Adam Smith** (1723-90). Absolute advantage applies where, for example, two countries can both produce two commodities they need, but country A is more efficient at producing commodity X and country B is more efficient at producing commodity Y, so they would both profit by concentrating on the particular commodity each produces best and trading them.

abusive shelter (US) = **shelter, abusive**

a/c Abbreviation of **account**.

acc Abbreviation of **account**.

acceleration Term that can be applied to an increase in the rate of a price trend.

accelerator principle Theory that growth in production is directly related to the level of investment.

acceptance Broadly, the act of agreeing to do something. In business and finance, it can be taken in four ways.

First, acceptance is one of the two stages in negotiating a **contract: offer** and acceptance. A contract is complete only when the offer has been formally accepted by the **acceptor**.

Second, it is the act of writing on a **bill of exchange**, by which the acceptor accepts the bill and agrees to pay the **drawer**.

Third, it is used to denote a bill that has been endorsed in the above way and has thereby been accepted.

Fourth, in **insurance**, acceptance is notice given by the insurer that specified cover will be given.

acceptance for honour supra protest Situation that occurs when a bill of exchange is turned down (or protested) and is then accepted by another party, thereby saving the honour of the **drawer**.

accepting (acceptance US) house Financial institution whose business is concerned mainly with the negotiation of **bills of exchange**, by either guaranteeing or accepting them. Accepting houses usually operate in much the same way as merchant banks. *See* **bank, merchant**.

acceptor Person who accepts either the terms of a **contract**, or a **bill of exchange**. When a bill of exchange is accepted, the **drawee** becomes the acceptor.

accommodation Money that is lent to someone for a brief period. *See also* **bill, accommodation**.

accord Frequently used in the USA to mean any form of agreement, especially between companies, the business communities of different countries or the governments of two countries.

"The tie-up accord between the country's two leading biotechnology companies will mean some swift and important advances in the field."

accord and satisfaction When one party has discharged its obligations under a **contract**, it may elect to release the other party from its obligations. When this is done in return for a new **consideration**, the release is known as accord and satisfaction.

account Very generally, a note kept of any financial transaction. It is abbreviated to a/c, acc or acct. The term has three broad meanings.

First, it is used in banking to designate an arrangement made to deposit money with a **bank, building society** or a number of other financial institutions. An account may be of many different types, usually indicated by a qualifying word, depending on the conditions of withdrawal, level of interest, minimum amount of money in the account, or other factors.

Second, on the London Stock Exchange it is a period of two weeks (when Bank Holidays occur, this period usually extends to three weeks) in which trading is carried out. Broadly, transactions are made in the two weeks of the account and the relevant paperwork is carried out during the following week, followed by payments (settlements), made on

account

the sixth business day after the end of the account. This method of working means that transactions may be made with deferred payment, enabling **speculation** to take place.

"Prices fell sharply at the end of the last account."

Third, it is a record of financial transactions, and in this sense, often termed **accounts**.

"He spent three days preparing his accounts for the Inland Revenue"

account day The Monday ten days or six business days after the end of each stock exchange account, on which all settlements must be made. Also known as settlement day.

accounts payable Accounts on which a company owes money.

accounts receivable Accounts on which there is a **debt** owed to a company. *See also* **factoring**.

annual accounts Report submitted annually, showing the current financial state of a company and the results of its operations for that year. *See also* **report, annual**.

appropriation account One of the elements of a profit and loss account, in which the division of profit is detailed. *See* **account, profit and loss**.

bank (banking US) account Arrangement to deposit money with a bank. *See* **account, current; account, deposit**.

below-the-line accounts Those items included in company accounts that refer to the distribution of profits. Details of *e.g.* **dividends** would thus be included in the below-the-line accounts.

blocked account Bank account that becomes subject to restrictions, especially those imposed by governments.

"After the coup, the new military government blocked the accounts of all foreign nationals."

See also **account, frozen**.

budget account Form of current account on which an agreement is made that the holder pays into the account a fixed amount each month and is then guaranteed **overdraft** facilities to cover periods of high **expenditure**.

capital account Part of the **balance of payments**, which refers to international movements of **capital**, including intergovernmental loans.

charge account Alternative term for credit account. *See* **account, credit**.

consolidated accounts If a company has subsidiary companies, each subsidiary has its own set of profit and loss accounts, but these must also be consolidated to form accounts for the whole group. These are known as consolidated accounts. *See* **account, profit and loss.**

credit account Account offered by **retail** stores and chains, which allows a customer to buy goods on the spot (usually by means of a plastic card) and to pay for them at the end of the accounting period or in **instalments**. Some current accounts also pay **interest**. *See* **account, current.**

current account Term with two meanings.

First, it is the most common type of bank account for personal use, which pays no interest but funds may be accessed immediately by writing a **cheque**. In this sense it is also known as a cheque account, or in the USA, a checking account.

Second, it is part of the balance of payments, which refers to national **income** and **expenditure**, including visible and invisible trade. *See* **trade, invisible; trade, visible.**

deposit account Account that pays **interest**, but sometimes notice has to be given before funds may be withdrawn.

discretionary account Account into which discretionary funds are placed. *See* **fund, discretionary.**

drawing account Bank account from which funds may be withdrawn at will.

expense account Money that is allowed to an executive for the purposes of travel and entertainment of clients.

external account Account held with a UK bank, by a non- resident.

final accounts Normally, the annual accounts. However, the term may also refer to the final report submitted by a liquidator at the end of a **liquidation**. *See* **accounts, annual.**

frozen account Account that is affected by a court order, with the consequence that no money may be deposited or withdrawn.

group accounts Alternative term for consolidated accounts. *See* **accounts, consolidated.**

impersonal accounts On a **book-keeping** ledger, accounts that deal with **capital** and **assets** (the real accounts) or income and expenditure (the

account

nominal accounts) or a combination of the two. The only element of the ledger the impersonal accounts do not cover is the record of debtors and creditors (the personal accounts). *See* **accounts, personal; accounts, real; accounts, nominal.**

imprest accounts System of accounting that must balance against a specified figure. *E.g.* a petty cash account may be balanced against a figure of £250. At any time, the cash present plus the total of vouchers should add up to this figure. *See* **cash, petty.**

income and expenditure account Similar in form to a profit and loss account, an income and expenditure account is a record of all cash transactions over a given period. *See* **account, profit and loss.**

interim accounts Short financial statement produced by a company (often unaudited) in the middle of the year, halfway between publication of the annual accounts. *See* **accounts, annual.**

nominal accounts One of the three parts into which a book-keeping **ledger** is divided. The nominal accounts are the records of **income** and **expenditure**. *See also* **accounts, impersonal; accounts, personal; accounts, real.**

numbered account Bank account that is identified by a number only, in order to keep the identity of the account holder confidential. Bank accounts administered by banks in Switzerland are most often numbered.

personal account Term with two meanings.

First, on the stock market, it is an account maintained by a dealer on his or her own behalf and at personal risk, independent of the company for which he or she works.

Second, in **book-keeping**, it is an account that lists **creditors** and **debtors**.

profit and loss account Annual summary of a company's financial operations, required by law to be submitted by every trading company. The profit and loss account has three sections: the trading account, the profit and loss account and the appropriation account. The profit and loss section of the account takes the profit or loss figure from the trading account, and after accounting for income not concerned with trading, and expenses such as those incurred in administration, deducts **tax** from the final profit or loss figure. *See also* **account,**

appropriation; account, income and expenditure; account, trading.

real accounts On a book-keeping **ledger**, the record of **assets** and **capital**. *See also* **accounts, impersonal; accounts, nominal; accounts personal.**

realization account When a company is being wound up and its assets are being realized in order to pay creditors, a bank account may be opened in which to deposit receipts and upon which to draw payments to creditors. This is known as a realization account.

sales account Document presented to a consignor when goods are sent to a foreign country for sale through an **agent**. The agent submits to the consignor an account of sales made, along with details of the agent's **commission**, expenses and the final net **profit** on the sale.

stated account Account that shows how much one party owes another. The stated account is agreed upon by both parties and is legally binding unless it can be shown to be false.

statement of account Not to be confused with stated account, a document sent from a creditor to a debtor, detailing recent transactions and amounts owing, sometimes with terms for payment. *See also* **account, stated.**

trading account first section of a profit and loss account, in which income and expenditure concerned in a company's trading activities are detailed. The final figure on this account is the company's **gross profit**. *See* **account, profit and loss.**

zero-balance account US Cheque account operated by a company by which cheques are drawn against the account balance, which at the start of the day is always zero. At the end of the day the value of all cheques drawn is totalled and the amount is transferred into the account, so that the account balance reverts from a **debit** to zero.

See also **executive, account.**

accountancy Body of knowledge relating to financial matters. Also the work done by an **accountant**, involving knowledge of the law as it affects financial matters (e.g. the **tax** laws), **book-keeping**, and the preparation of annual accounts. *See* **accounts, annual.**

accountant Any person practising accountancy, whether qualified or

accountant

not. The term may be prefixed with various other terms, denoting the specialism of the accountant (*e.g.* **cost accountant**, **management accountant**), that accountant's position within a business (*e.g.* **chief accountant**), or his or her professional qualification (*e.g.* **certified accountant**, **certified public accountant**, **chartered accountant**).

certified accountant Accountant who has passed the examinations of the Association of Certified (and Corporate) Accountants, and is either an associate or fellow of the Association.

certified public accountant US Accountant who has passed professional accounting examinations.

chartered accountant In England and Wales, an accountant who has passed the examinations of the Institute of Chartered Accountants and is either an associate or a fellow of the Institute. In Ireland and Scotland, a chartered accountant is a fellow or associate of the Institute of Chartered Accountants in Ireland, and Scotland, respectively. The main difference between a chartered and a certified accountant is that the training of the former normally involves a period of time working with a firm of accountants and that of the latter does not.

chief accountant Accountant within a business who deals with all company accounting and the provision of financial information to managers and **directors**, in particular the financial director.

cost accountant Accountant who specializes in reckoning the **cost** of manufacturing a unit of a product, taking into account such variables as cost of raw materials and **labour**, and thereby making a **projection** of probable cost at the planning stage of a project. This in turn enables the manufacturer to **tender** a price to a prospective buyer.

financial accountant Accountant who is concerned with the movement of cash, rather than with money that is involved in production (*see* **accountant**, **cost**). The financial accountant is responsible for overseeing the level of cash available for paying debts and for investment, and for managing and recording all financial transactions.

management accountant Accountant who is involved in the day-to-day running of a business, providing **management** information upon which managers are able to make decisions. The distinction between cost and management accountancy is now becoming increasingly blurred.

See also **auditor**.

accounting Very broadly, the activity of recording and verifying all monies borrowed, owed, paid or received.

accounting concepts Basic concepts by which sets of accounts are made up. The four generally accepted accounting concepts are the **accruals concept**, **consistency concept**, going concern concept and **prudence concept**.

accounting principles Another term for **accounting concepts**.

accounting standards Standards by which annual accounts are made up, set by professional bodies such as the Accounting Standards Steering Committee (ASSC) in the UK. *See* **accounts**, **annual**.

cost accounting Work undertaken by a cost accountant. *See* **accountant**, **cost**.

current cost accounting (CCA) Also known as inflation accounting, a method of accounting that takes changes in prices due to **inflation** into account, adjusting values of assets, costs, etc.

current purchasing power accounting (CPP) Method of accounting that has been advocated since the 1970s, and which involves stating all accounts in terms of a unit of purchasing power, calculated from a price **index**. Current purchasing power accounting has not yet become a common method.

historical cost accounting Method of assigning value to *e.g.* assets for accounting purposes. In historical cost accounting, the original cost of an asset is taken into account, rather than its replacement cost. *See* **accounting**, **current cost**.

inflation accounting Alternative term for current cost accounting. *See* **accounting**, **current cost**.

See also **cost**, **accounting**; **ratio**, **accounting**.

accredited Describes someone who is authorized to act on behalf of a company or individual.

accrual Gradual increase by addition over a period of time.

accruals concept Principle used in **accounting** by which **income** and **expenditure** are taken into the profit and loss account for the period in which they occur. This method of accounting is useful in that it

acct

pulls together **receipts** and the **costs** incurred in generating them, avoiding the time lag between the time **income** is received and the time **liabilities** become due. *See* **accounting concepts; account, profit and loss; consistency concept; prudence concept.**

See also **benefits, accrued; charges, accrued; dividend, accrued; interest, accrued.**

acct Abbreviation of **account**.

acid-test = ratio, acid-test

acquisition The takeover of control of one company by another or by an individual is known as an acquisition of the target company. The purchase of an **equity** stake in the target company is the usual method of acquisition.

acquisition trail Course embarked upon when a company becomes **acquisitive**.

"A & C Electronics reported improving finances after its takeover of B D Small Electronics, indicating a possible return to the acquisition trail."

acquisitive Company that is always on the look out to grow by taking over other companies. *See also* **takeover.**

ACT Abbreviation of advance corporation tax. *See* **tax, advance corporation.**

act of God Event caused by nature which is so unpredictable as to be unavoidable, *e.g.* the timing and location of earthquakes or floods. Acts of God are normally insured against as a matter of course.

action Equity stake.

"The company seemed to have a great deal of potential and so she bought herself a piece of the action."

actionnaires French term, referring to the holders of shares in a French public company (*société anonyme*). *See* **company, public limited.**

active Busy, constantly changing. *See* **partner, active; stock, active.**

actuals Physical commodities that may be purchased on the commodities market and delivered immediately. Also known as spot goods. *See also futures.*

actuary Someone who assesses probabilities on the basis of reliable statistical information. Most often employed in **insurance**, an actuary works out the likelihood of an event happening, information that determines the level of **premiums**.

additional personal relief For **taxation** purposes, the additional amount allowed against a married woman's earned **income** over and above the marriage personal **allowance** which the couple receive jointly. *See also relief, tax.*

adjudication Act of giving judgement. Adjudication may be the act of resolving a legal problem, industrial dispute or of declaring **bankruptcy**. *See also bankruptcy, adjudication of; order, adjudication.*

adjuster (adjustor US) In **insurance**, someone who calculates **losses**.

average adjuster Someone who calculates how much money is to be paid on an insurance claim.

loss adjuster Someone who arranges payment of an insurance claim between the policy holder and the insurance company.

administration Broadly, the sum of actions involved in the organization or management of a company. *See expenses, administration.*

In law, however, administration is either the winding-up of the estate of a deceased person in the absence of an executor or in the event of intestacy, or it is the winding-up of a company. Both cases involve the court appointment of someone to act as administrator.

letters of administration Court order that appoints someone to act as administrator in either of the two above cases.

ad Abbreviation for advertisement or a Latin prefix to various terms.

ad referendum When referring to a contract, ad referendum indicates that while the contract has been agreed and signed, there are still some matters to be discussed.

ADR

ad valorem In **taxation**, *ad valorem* (literally, according to the value) indicates that tax is calculated as a percentage of the value of the transaction, rather than charged at a fixed rate. *E.g.* value-added tax is paid as a percentage of the value of the goods or services sold, whereas car road tax in the UK is paid at a fixed rate. *See* **tax**, **value-added**.

ADR Abbreviation of American depositary receipts, which are issued by American banks declaring that a certain number of a company's shares have been deposited with them. ADRs are denominated in dollars and although they usually refer to non-American companies, they are traded on the American markets as **US securities**.

advance Part-payment for work contracted made ahead of total payment, before the goods or services contracted for have been rendered. Sometimes, if payment depends upon sales, the advance is set against those sales.

"It is usual to pay rent in advance."

"The author received a £1000 advance against royalties."

ways and means advance Advance paid by the Bank of England to the consolidated fund. *See* **fund**, **consolidated**.

See also **arrears**.

adverse Bad or, at the very least, unhelpful. *See* **balance of trade**, **adverse**.

advertising Range of activities that surround the practice of informing the public of the existence and desirability of a product. The main purpose of advertising is to boost sales, or, in the case of charities and national bodies, to provide information or solicit contributions.

above-the-line advertising Advertising that uses the traditional media of television, radio, cinema, newspapers and magazines and posters.

advertising agency Company that specializes in planning and executing advertising campaigns.

aerial advertising There are several methods of aerial advertising: banners trailed from aircraft; writing in smoke in the sky; writing on the sides of hot air balloons and airships. Aerial advertising is now restricted, mainly to airshows.

below-the-line advertising Advertising by direct mail and merchandising etc.

consumer advertising Advertising directed at the consumer. This form of advertising may be either informative or persuasive. *See* **advertising, informative; advertising, persuasive.**

informative advertising Advertising that concentrates on providing the target with information about the product, thereby helping consumers to choose between products.

persuasive advertising Advertising that concentrates on the characteristics of the product, often intimating that use of the product will enhance the consumer's personal status in some way.

prestige advertising Form of advertising in which the company sponsors prestigious sporting or cultural events, *e.g.* in 1987-1988, the national football league was sponsored by Littlewoods and therefore known as the Littlewoods Cup.

trade advertising Advertising that is restricted to one section of the public, *i.e.* those people (such as retailers) who operate within the advertiser's own industry.

advertorial Form of advertising, usually found in newspapers and magazines. The advertorial is printed in such a way that it looks like an editorial or article, in an effort to add the authority of the publication as a recommendation of the product.

advise fate Request from a collecting **banker** to a paying banker to confirm that the **cheque** to which it refers will be honoured. This confirmation cannot be given until the paying banker receives the cheque, because the **account** to which the cheque refers may have had other **debits** made to it, or the **payer** may stop the cheque. It is a speedy method of confirmation, and it circumvents the use of a **bankers' clearing house**.

AE Abbreviation of account executive. *See* **executive, account.**

AFBD Abbreviation of Association of Futures Brokers and Dealers, an **SRO**. *See* **Financial Services Act.**

affidavit Statement or declaration made in writing and witnessed by a