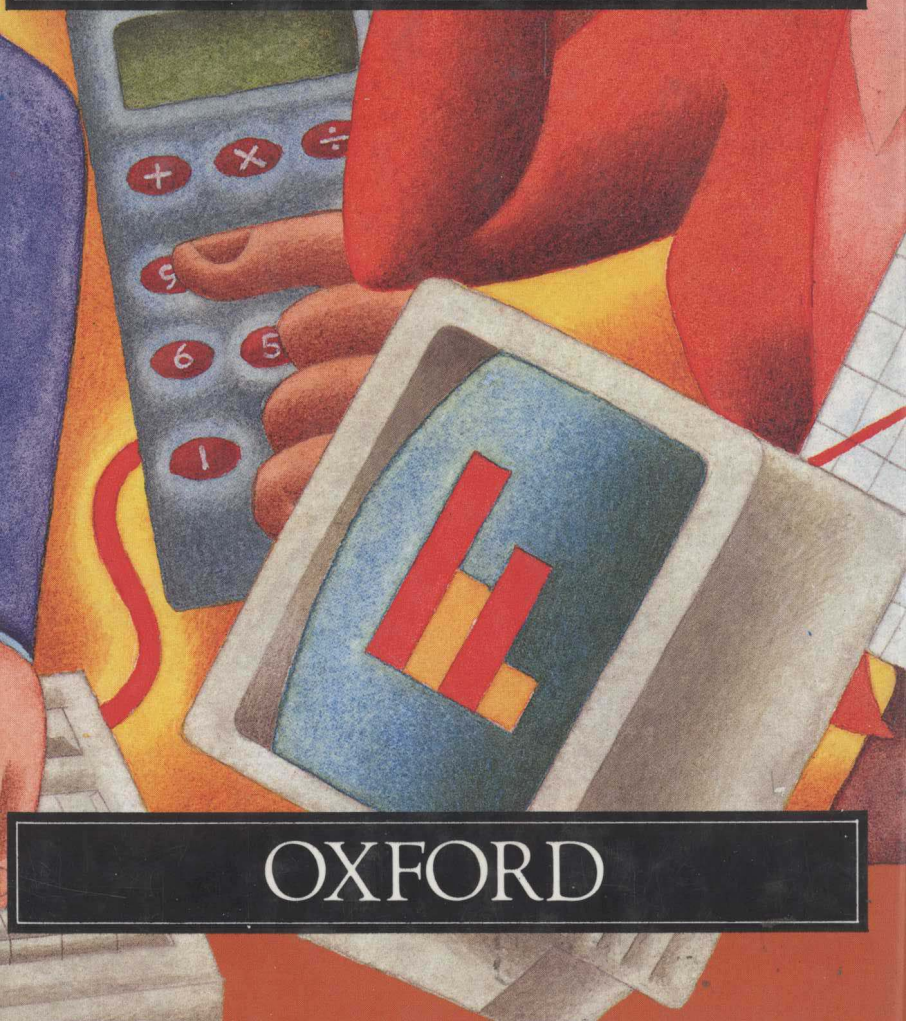


# A CONCISE DICTIONARY OF BUSINESS



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A Concise  
Dictionary of  
Business

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## Preface

*A Concise Dictionary of Business* is intended for students of all kinds of business courses, ranging from GCSE Business Studies to the various degree and postgraduate courses in business and allied subjects. The dictionary has also been prepared on the assumption that it will be of use to businessmen and their professional advisers (lawyers, bankers, accountants, advertising agents, insurers, etc.)

At this range of levels the dictionary provides an extensive coverage of the terms commonly used in commerce; dealings in stocks, shares, commodities, and currencies; taxation and accountancy; marketing and advertising; shipping; insurance; business management and policy; personnel management and industrial relations; and banking and international finance. It also has a more restricted coverage of the law and of economics as they apply to businessmen, the terms a businessman might be expected to know in the field of computers, and a smattering of the vocabulary of printers.

In compiling this book the contributors and editors have attempted to make the entries as concise and comprehensible as possible; they have made a particular point of avoiding jargon in the definitions, although most of the terms used in businessmen's jargon are themselves entries. Indeed a feature of the book is its wide coverage of the new City jargon.

Another feature of the book is its extensive network of cross references. An asterisk (\*) placed before a word in an entry indicates that this word can be looked up in the dictionary and will provide further explanation or clarification of the entry being read. However, not every word that appears in the dictionary has an asterisk placed before it. Some entries simply refer the readers to another entry, indicating either that they are synonyms or that they are most conveniently explained in one of the dictionary's longer articles. Synonyms and abbreviations are usually placed within brackets immediately after the headword.

A.I. 1990

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**A1** A description of property or a person that is in the best condition. In marine insurance, before a vessel can be insured, it has to be inspected to check its condition. If it is "maintained in good and efficient condition" it will be shown in \*Lloyd's Register of Shipping as 'A' and if the anchor moorings are in the same condition the number '1' is added. This description is also used in life assurance, in which premiums are largely based on the person's health. After a medical examination a person in perfect health is described as "an A1 life".

**AA** Abbreviation for \*Advertising Association.

**abandonment** The act of giving up the ownership of something covered by an insurance policy and treating it as if it has been completely lost or destroyed. If the insurers agree to abandonment, they will pay a total-loss claim (*see* actual total loss; constructive total loss). This often occurs in marine insurance if a vessel has run aground in hazardous waters and the cost of recovering it would be higher than its total value and the value of its cargo. It also occurs during wartime when a vessel is captured by the enemy. If the owner wishes to declare a vessel and its cargo a total loss, he gives the insurer a **notice of abandonment**; if, subsequently, the vessel or its cargo are recovered, they become the property of the insurer.

**ABC** Abbreviation for \*Audit Bureau of Circulation.

**ABI** Abbreviation for \*Association of British Insurers.

**ability-to-pay taxation** A form of taxation in which taxes are levied on the basis of the taxpayers' ability to pay. This form of taxation leads to the view that as income or wealth increases, its marginal utility (its value to its owner) decreases so that progressive rates of tax can be levied

on the higher slices. Typical taxes of this sort in the UK are \*income tax and \*inheritance tax. *Compare* benefit taxation.

**above par** *See* par value.

**above-the-line** 1. Denoting entries above the horizontal line on a company's \*profit and loss account that separates the entries that establish the profit (or loss) from the entries that show how the profit is distributed. 2. Denoting advertising expenditure on mass media advertising, including press, television, radio, and posters. It is traditionally regarded as all advertising expenditure on which a commission is payable to an \*advertising agency. 3. Denoting transactions concerned with revenue, as opposed to capital, in national accounts. *Compare* below-the-line.

**ABP** Abbreviation for \*Associated British Ports.

**absenteeism** Absence from work for which there is no legitimate reason; it is often self-certified sick leave lasting for one day at a time. Most prevalent in large organizations, it can be a major problem. In order to combat it some organizations have introduced flexible working hours, increased annual leave, introduced personal days leave in addition to normal holiday entitlement, and devised incentive schemes for full attendance.

**absolute advantage** The relative efficiency of an individual or group of individuals in an economic activity, compared to another individual or group. Adam Smith (1723–90) proposed that free trade would be beneficial if countries specialized in activities in which they possessed an absolute advantage. While this may be true, it was superseded by the theory of \*comparative advantage of David Ricardo (1772–1823), which showed that even if an individual or group (a country, say) possesses an absolute

## absorption costing

advantage in *all* activities, there could still be gains from trade.

**absorption costing** The process of costing products or activities by taking into account the total costs incurred in producing the product or service, however remote. This method of costing ensures that full costs are recovered provided that goods or services can always be sold at the price implied by full-cost pricing. However, if sales are lost due to the high sales price opportunities may be lost of making some contribution to overheads. *Compare* marginal costing.

**abstract of title** A document used in conveyancing land that is not registered to show how the vendor derived good title. It consists of a summary of certain documents, such as conveyances of the land, and recitals of certain events, such as marriages and deaths of previous owners. The purchaser will check the abstract against title deeds, grants of probate, etc. This document is not needed when registered land is being conveyed, as the land certificate shows good title.

**ACA** Abbreviation for Associate of the \*Institute of Chartered Accountants.

**ACAS** Abbreviation for \*Advisory Conciliation and Arbitration Service.

**ACC** Abbreviation for \*Agricultural Credit Corporation Ltd.

**ACCA** Abbreviation for Associate of the Chartered Association of Certified Accountants. *See* certified accountant; chartered accountant.

**accelerated depreciation** A basis for a form of tax relief available in the UK until 1984 that enabled certain assets of a business organization to be deemed to waste away at a rate faster than that applicable to their normal useful lives. This gave tax relief earlier than would otherwise have been the case and therefore gave some incentive to businesses to invest in assets for which accelerated depre-

ciation was a permitted basis upon which to calculate tax liability.

**accelerator theory** The theory that the level of \*investment is proportional to the output of an economy. Based on the observation that investment tends to fluctuate more than the rate of growth of the economy, the theory played a major role in early Keynesian models of the economy. However, it is not clear that there is a fixed capital-output ratio for an economy; investment decisions are based on a variety of factors, such as \*interest rates, business confidence, and profitability. The accelerator theory fails to provide an adequate account of these factors.

**acceptance** 1. The signature on a \*bill of exchange indicating that the person on whom it is drawn accepts the conditions of the bill. Acceptance is usually written: "Accepted, payable at ... (name and address of bank): (Signature)". *See also* non-acceptance. 2. A bill of exchange that has been so accepted. 3. Agreement to accept the terms of an \*offer; for example, the agreement of an insurance company to provide a specified insurance cover or of a trader to accept a specified parcel of goods at the offer price.

**acceptance credit** A means of financing the sale of goods, particularly in international trade. It involves a commercial bank or merchant bank extending credit to a foreign importer, whom it deems credit-worthy. An acceptance credit is opened against which the exporter can draw a \*bill of exchange. Once accepted by the bank, the bill can be discounted on the \*money market or allowed to run to maturity.

**acceptance supra protest (acceptance for honour)** The acceptance or payment of a \*bill of exchange, after it has been dishonoured, by a person wishing to save the honour of the drawer or an endorser of the bill.

**accepting house** An institution specializing in accepting or guaranteeing \*bills of exchange. A service fee is charged for guaranteeing payment, enabling the bill to be discounted at preferential rates on the \*money market. The decline in the use of bills of exchange has forced the accepting houses to widen their financial activities, many of whom have returned to their original function of \*merchant banking.

**Accepting Houses Committee** A committee representing the 16 \*accepting houses in the City of London. Members of the committee are eligible for finer discounts on bills bought by the Bank of England, although this privilege has been extended to other banks.

**acceptor** The drawee of a \*bill of exchange after he has accepted the bill, i.e. has accepted liability by signing the face of the bill.

**access** To obtain data from, or to place data into, a computer memory. *See also* access time.

**access time** The time taken to obtain information from a computer \*memory, or to write information to the memory. Access times can vary from a thousand millionth of a second (a nanosecond) in a fast electronic memory to a second or longer with magnetic-tape memories.

**accident insurance** An insurance policy that pays a specified amount of money to the policyholder in the event of the loss of one or more eyes or limbs in any type of accident. It also pays a sum to the dependants of the policyholder in the event of his or her death. These policies first appeared in the early days of railway travel, when passengers felt a train journey was hazardous and they needed some protection for their dependants if they were to be killed or injured.

**accommodation bill** A \*bill of exchange signed by a person (the accommodation party) who acts as a guarantor. He is liable for the bill should the \*acceptor fail to pay at maturity. Accommodation bills are sometimes known as **windbills** or **windmills**. *See also* kite.

**accord and satisfaction** A device enabling one party to a contract to avoid an obligation that arises under the contract, provided that the other party agrees. The accord is the agreement by which the contractual obligation is \*discharged and the satisfaction is the \*consideration making the agreement legally operative. Such an agreement only discharges the contractual obligation if it is accompanied by consideration. For example, under a contract of sale the seller of goods may discharge his contractual obligation by delivering goods of different quality to that specified in the contract, provided there is agreement with the buyer (the accord) and he offers a reduction in the contract price (the satisfaction). The seller has therefore 'purchased' his release from the obligation. Accord and satisfaction refer to the discharge of an obligation arising under the law of tort.

**account 1.** A statement of indebtedness from one person to another; an invoice. A provider of professional services or of goods may render an account to his client or customer, and a solicitor selling a house on a person's behalf will render him an account of the sale, which may show that the solicitor owes the seller the proceeds of the sale, less expenses. **2.** A named segment of a ledger recording transactions relevant to the person or the matter named (*see* double-entry book-keeping). Accounts consist of two sides; increases are recorded on one side and decreases on the other. Accounts may be kept in a written form in a ledger, they may be on loose cards, or they may be on



## accountant

magnetic tape in a computer. 3. An account maintained by a \*bank or a \*building society in which a depositor's money is kept. *See* cheque account; current account; deposit account. 4. A period during which dealings on the London Stock Exchange are made without immediate cash settlement. There are 24 accounts in the year, most of two weeks duration, but a few last for three weeks to accommodate public holidays. Up to the end of each account transactions are recorded but no money changes hands, which enables speculators to operate with the minimum capital outlay (for shares bought and sold within an account only differences have to be settled). Settlement of all transactions made within an account is made ten days after the account ends (*see* account day). 5. In an advertising, marketing, or public-relations agency, a client of the agency from whom a commission or fee is derived, in return for the services. 6. *See* annual accounts.

**accountant** A person trained to keep books of account, which record all the financial transactions of a business or other organization, and to prepare periodic accounts. The accounts normally consist of a \*balance sheet; a \*profit and loss account, or in the case of a non-trading organization, an \*income and expenditure account; and sometimes a statement of sources and application of funds. Other roles of accountants are to \*audit the accounts of organizations and to give advice on taxation and other financial matters. Qualified accountants are normally members of one of several professional bodies to which they gain admission through a period of work experience and examinations (*see* chartered accountant; certified accountant). *See also* cost accountant; financial accountant; management accountant.

**account day (settlement day)** The day on which all transactions made during the previous \*account on the London Stock Exchange must be settled. It falls on a Monday, ten days after the account ends.

**account executive** The person in an advertising, marketing, or public-relations agency responsible for implementing a client's business. This involves carrying out the programme agreed between the agency and client, coordinating the activities, and liaising with the client.

**accounting concepts** The basic theoretical ideas devised to support the activity of accounting. As accounting developed largely from a practical base, it has been argued that it lacks a theoretical framework. Accountants have therefore tried to develop such a framework; although various concepts have been suggested, few have found universal agreement. However, four are deemed to be important (*see* statements of standard accounting practice): the first, the **on-going concern concept**, assumes that the business is a going concern until there is evidence to the contrary, so that assets are not stated at their break-up value; the second, the **\*accruals concept**, involves recording income and expenses as they accrue, as distinct from when they are received or paid; the third, the **consistency concept**, demands that accounts be prepared on a consistent basis from one period to another; and the fourth, the **prudence concept**, calls for accounts to be prepared on a conservative basis, not taking credit for profits or income before they are realized but making provision for losses when they are foreseen. Other accounting concepts might be \*depreciation and \*deferred taxation, which are concepts relating to accounting, but which are not often considered when reference is made to accounting concepts.

**accounting cost** *See* cost.

**accounting package** See business software package.

**accounting period** 1. The period for which an organization makes up its accounts, usually an annual period. \*Profit and loss accounts (or \*income and expenditure accounts) are drawn up to cover that period and \*balance sheets are prepared for the closing date. It is often a legal requirement that these accounts should be published. However, an organization might make use of shorter accounting periods for internal management purposes, e.g. monthly, quarterly, or six-monthly periods. 2. An accounting period for tax purposes, as defined by the taxation Acts. For unincorporated businesses it is the period for which the businesses prepare their accounts. For companies it is broadly the same except that if an accounting period exceeds twelve months it is divided into two or more accounting periods of twelve months, each excluding the last.

**accounting rate of return (ARR)** The net profit to be expected from an investment, calculated as a percentage of the book value of the assets invested. Compare net present value (NPV).

**accounting technician** A person qualified by membership of an appropriate body (such as the Association of Accounting Technicians) to undertake tasks in the accountancy field without being a fully qualified \*accountant.

**account management group** A group within an advertising, marketing, or public-relations agency responsible for planning, supervising, and coordinating all the work done on behalf of a client. In large agencies handling large accounts the group might consist of an account director, account manager, account or media planner, and \*account executive.

**account of profits** A legal remedy available as an alternative to \*dam-

ages in certain circumstances, especially in breach of \*copyright cases. The person whose copyright has been breached sues the person who breached it for a sum of money equal to the gain he has made as a result of the breach.

**account payee** The words used in crossing a \*cheque to ensure that the cheque is paid into the bank account of the payee only. However, it does not affect the negotiability of the cheque.

**account rendered** An unpaid balance appearing in a \*statement of account, details of which have been given in a previous statement.

**accounts** 1. The \*profit and loss account and the \*balance sheet of a company. 2. See account; books of account.

**account sale** A statement giving details of a sale made on behalf of another person or firm, often as an \*agent. The account sale shows the proceeds of the sale less any agreed expenses, commission, etc.

**accounts payable** The amounts due to suppliers of goods and services to an organization. Originally a US term, it is gaining popularity in the UK (see trade creditor).

**accounts receivable** The amounts owed to an organization for goods and services that it has supplied. Originally a US term, it is gaining popularity in the UK.

**accrual (accrued charge)** An amount incurred as a charge in a given accounting period but not paid by the end of that period, e.g. the last quarter's electricity charge. See accruals concept.

**accruals concept** One of the four principal \*accounting concepts. Merely to record cash received or paid would not give a fair view of an organization's profit or loss, since it would not take account of goods sold but not yet paid for nor of expenses

## accrued benefits

incurred but not yet paid. Accordingly, it is considered good accounting practice to prepare accounts taking note of such accruals. This is also akin to the **matching concept**, which suggests that costs should, as far as possible, be matched with the income to which they give rise.

**accrued benefits** The benefits that have accrued to a person in respect of his pension, for the service he has given up to a given date, whether or not he continues in office.

**accrued charge** See accrual.

**accumulated depreciation** The total amount written off the value of an asset. It is the sum of the yearly instalments of depreciation since the asset was acquired.

**accumulated dividend** A dividend that has not been paid to a company's preference shareholders. It is, therefore, shown as a liability in its accounts.

**accumulated profits** The amount showing in the \*appropriation of profits account that can be carried forward to the next year's accounts, i.e. after paying dividends, taxes, and putting some to reserve.

**accumulating shares** Ordinary shares issued to holders of ordinary shares in a company, instead of a dividend. Accumulating shares are a way of replacing annual income with capital growth; they avoid income tax but not capital-gains tax. Usually tax is deducted by the company from the declared dividend, in the usual way, and the net dividend is then used to buy additional ordinary shares for the shareholder.

**accumulation unit** A unit in an \*investment trust in which dividends are ploughed back into the trust, after deducting income tax, enabling the value of the unit to increase. It is usually linked to a life-assurance policy.

**acid-test ratio** See liquid ratio.

**ACII** Abbreviation for Associate of the \*Chartered Insurance Institute.

**ACORN** Abbreviation for *A Classification of Residential Neighbourhoods*. This directory classifies 39 different types of neighbourhoods in the UK, assuming that people living in a particular neighbourhood will have similar behaviour patterns, disposable incomes, etc. It is used by companies to provide target areas for selling particular products or services (e.g. swimming pools, double glazing, etc.) or alternatively to exclude areas (particularly finance and insurance-related) from a sales drive. It is also used extensively for selecting representative samples for questionnaire surveys.

**acoustic coupler** A device used to connect a computer to an ordinary telephone set so that the computer can send information along the telephone line and receive information sent along the line by other computers. To send information, the telephone handset is placed in a cradle on the coupler, after the receiving number has been dialled. The output of the computer is then converted by a \*modem in the coupler to a sequence of different tones that can be sent over the telephone line. When information is being received, the modem converts the tones from the telephone line into electronic signals that the computer can understand.

**acquisition accounting** The accounting procedures adopted when one company is taken over by another. This often involves controversial issues as to the way in which \*goodwill is to be treated.

**across the network** Denoting a TV advertisement or programme series that is broadcast across all ITV regions simultaneously.

**ACT** Abbreviation for \*advance corporation tax.

**active partner** A partner who has contributed to the business capital of a partnership and who participates in its management. All partners are deemed to be active partners unless otherwise agreed. *Compare* sleeping partner.

**active stocks** The stocks and shares that have been actively traded, as recorded in the Official List of the London Stock Exchange.

**act of God** A natural event that is not caused by any human action and cannot be predicted. It is untrue (as is sometimes thought) that insurance policies covering homes and businesses exclude acts of God. In fact, both cover such natural events as storms, lightning, and floods. However, some contracts exclude liability for damage arising from acts of God (*see* force majeure).

**act of war** Anything that causes loss or damage as a result of hostilities or conflict. Such risks are excluded from all insurance policies (except life assurances). In marine and aviation insurance only, any extra premium may be paid to include war risks.

**actuals (physicals)** Commodities that can be purchased and used, rather than goods traded on a \*futures contract, which are represented by documents. *See also* spot goods.

**actual total loss** The complete destruction or loss of an insured item or one that has suffered an amount of damage that makes it cease to be the thing it originally was. For example, a motor car would be an actual total loss if it was destroyed, stolen and not recovered, or damaged so badly that the repair cost exceeded its insured value. *See also* constructive total loss.

**actuary** A person trained in the mathematics of statistics and probability theory. Some are employed by insurance companies to

calculate probable lengths of life and advise insurers on the amounts that should be put aside to pay claims and the amount of premium to be charged for each type of risk. Actuaries also advise on the administration of pension funds; the \*government actuary is responsible for advising the government on National Insurance and other state pension schemes. *See also* Institute of Actuaries.

**Ada** A computer language first developed in the USA for controlling military equipment. It is now becoming more widely used for civilian uses. It is a \*high-level language based on \*Pascal. An advantage of the language is that programs written in Ada are portable (i.e. can be run on different computers). The language is named after Ada Lovelace, who worked with Charles Babbage (1791–1871), one of the important pioneers of computing.

**ADC** Abbreviation for \*advice of duration and charge.

**additional personal allowance** An income-tax allowance available, in addition to the \*personal allowance, to a single person who has a child under 16 living with him or her or to a married man with such a child and a totally incapacitated wife.

**address** The label, name, or number that identifies the location of a particular piece of data in a computer memory. There are many different types of addresses, with such names as 'absolute address', 'indirect address', and 'base address'. Sometimes the term may be used synonymously with \*access.

**adjudication** 1. The judgment or decision of a court, especially in bankruptcy proceedings. 2. An assessment by the Commissioners of Inland Revenue of the amount of stamp duty due on a document. A document sent for adjudication will either be stamped as having no duty to pay or the taxpayer will be advised how

## adjuster

much is due. An appeal may be made to the High Court if the taxpayer disagrees with the adjudication.

**adjuster** See loss adjuster.

**administration order** 1. An order made in a county court for the administration of the estate of a judgment debtor (see judgment creditor). The order normally requires the debtor to pay his debts by instalments; so long as he does so, the creditors referred to in the order cannot enforce their individual claims by other methods without the leave of the court. Administration orders are issued when the debtor has multiple debts but it is thought that his \*bankruptcy can be avoided. 2. An order of the court under the Insolvency Act (1986) made in relation to a company in financial difficulties with a view to securing its survival as a going concern or, failing that, to achieving a more favourable realization of its assets than would be possible on a \*liquidation. While the order is in force, the affairs of the company are managed by an **administrator**.

**administrative receiver** See receiver.

**administrator** 1. Any person appointed by the courts, or by private arrangement, to manage the property of another. 2. Any person appointed by the courts to take charge of the affairs of a deceased person, who died without making a will. This includes collection of assets, payment of debts, and distribution of the surplus to those persons entitled to inherit, according to the laws of \*intestacy. The administrator must be in possession of \*letters of administration as proof of his authority.

**ADR** Abbreviation for \*American Depository Receipt.

**ad referendum** (Latin: to be further considered) Denoting a contract that has been signed although minor points remain to be decided.

**ADST** Abbreviation for \*approved deferred share trust.

**ad valorem** (Latin: according to value) Denoting a tax or commission that is calculated as a percentage of the total invoice value of goods rather than the number of items. For example, \*VAT is an ad valorem tax, calculated by adding a fixed percentage to an invoice value.

**advance corporation tax (ACT)** A feature of the \*imputation system of taxation that has applied in the UK since 1972. When dividends (or other distributions) are made by UK companies to their shareholders, the companies must account to the Inland Revenue for advance corporation tax at a rate that would equal the basic rate of income tax on a figure consisting of the distribution plus the ACT. Thus, if the basic rate of income tax is 30%, the rate of ACT would be 3/7, so that a dividend of £700 with its ACT of  $3/7 \times £700 = £300$  would total £1000, on which the tax at 30% would be £300 (the amount of the ACT). The ACT thus paid serves two purposes: (1) it is a payment on account of the individual shareholder's personal income tax on the dividend, and (2) for the paying company it constitutes a payment on account of that company's corporation tax for the period in which the dividend is paid. There are limits to the amount of ACT that may be set against corporation tax liabilities for any given period. Unrelieved ACT may also be carried backwards or forwards or surrendered to other companies.

**adverse balance** A deficit on an account, especially a \*balance of payments account.

**adverse selection** See moral hazard.

**advertising** A communication intended both to inform and persuade. The media that carry advertising range from the press, television, cinema, radio, and posters to com-

pany logos on apparel. Advertising creates awareness of a product, extensive advertising creates confidence in the product, and good advertising creates a desire to buy the product. This series of emotions is known mnemonically as AIDA: attention, interest, desire, action. Only half the money spent on advertising in the UK is accounted for by producers of goods and services; the remainder is spent by individuals (mostly on \*classified advertising), the government, charities, and marketing intermediaries (e.g. banks, institutions, and retailers). *See* above-the-line; below-the-line; consumer advertising; trade advertising.

**Advertising Association (AA)** An organization representing the interests of advertisers, \*advertising agencies, and the media. Founded in 1926, it collects and assesses statistics on advertising expenditure as well as running an annual programme of seminars and training courses for people working in advertising, marketing, and sales promotion.

**advertising agency** A business organization specializing in planning and handling \*advertising on behalf of clients. A full-service agency provides a range of services to clients, including booking advertising space, designing and producing advertisements, devising media schedules, commissioning research, providing sales promotion advice, and acting as a marketing consultant. The departments within an agency include research, planning, creative design, media bookings, production, and accounts. Most advertising agents work on the basis of a commission on the total sums spent by the client.

**advertising allowance** A price concession given by a manufacturer of a product to a retailer to allow him to pay for local advertising. It is an effective way of advertising both the product and the retail outlet.

**advertising brief** An agreement between an \*advertising agency and a client on the objectives of an advertising campaign. It is important that the client knows exactly what the objectives are, helps to plan the overall strategy, and sets the budgets. Once the brief has been agreed the agency can prepare and evaluate the advertisements themselves and develop the media plan.

**advertising rates** The basic charges made by the advertising media for use of their services or facilities.

**Advertising Standards Authority (ASA)** An independent body set up and paid for by the advertising industry to ensure that its system of self-regulation works in the public interest. The ASA must have an independent chairman, who appoints individuals to serve on the council, two-thirds of which must be unconnected with the advertising industry. The ASA maintains close links with central and local government, consumer organizations, and trade associations. All advertising, apart from television and radio commercials, which are dealt with by the \*Independent Broadcasting Authority (IBA), must be legal, decent, honest, and truthful; it must adhere to the **British Code of Advertising Practice (BCAP)**, which provides the rules for all non-broadcast advertising. This applies not only to what it said in an advertisement, but also what is shown. If it is claimed that one bar of chocolate contains  $\frac{1}{2}$  pint of milk, then the chocolate bar must contain that amount of milk. If the advertisement makes no claim, but shows a  $\frac{1}{2}$  pint bottle or carton of milk, then the chocolate must still contain this amount of milk. The ASA controls the contents of advertisements by continuous monitoring of publications and by dealing with complaints from members of the public.

## advice note

**advice note** A note sent to a customer by a supplier of goods to advise him that an order has been fulfilled. The advice note may either accompany the goods or be sent separately, thus preceding the \*invoice and any \*delivery note. The advice note refers to a particular batch of goods, denoting them by their marks and numbers (if more than one package); it also details the date and method of dispatch.

**advice of duration and charge (ADC)** The length of a telephone call and its cost. In the UK a caller who wishes to know the cost of a call after he has made it, dials the operator and asks for an ADC call to a particular number. After the call the operator will ring back with the information.

**advise fate** A request by a collecting bank wishing to know, as soon as possible, whether a cheque will be paid on its receipt by the paying bank. The cheque is sent direct and not through the Bankers' Clearing House, asking that its fate should be advised immediately.

**Advisory Conciliation and Arbitration Service (ACAS)** A UK government body set up in 1975 to mediate in industrial disputes in both the public and private sectors. Its findings are not binding on either side, but carry considerable weight with the government. It consists of a panel of ten members, three each appointed by the TUC and the CBI, who elect three academics and an independent chairman. It does not, itself, carry out arbitrations but may recommend an arbitration to be held by other bodies.

**AFBD** Abbreviation for \*Association of Futures Brokers and Dealers.

**affidavit** A sworn written statement by a person (the deponent), who signs it in the presence of a \*commissioner for oaths. It sets out facts known to the deponent. In certain cases, partic-

ularly proceedings in the Chancery division of the High Court, evidence may be taken by affidavit rather than by the witness appearing in person.

**affirmation of contract** Treating a contract as being valid, rather than exercising a right to rescind it for a good reason. Affirmation can only occur if it takes place with full knowledge of the facts. It may take the form of a declaration of intention, be inferred from such conduct as selling goods purchased under the contract, or allowing time to pass without seeking a remedy.

**afloat** Denoting goods, especially commodities, that are on a ship from their port of \*origin to a specified port of destination; for example, "afloat Rotterdam" means the goods are on their way to Rotterdam. The price of such goods will usually be between the price of spot goods and goods for immediate shipment from origin.

**after date** The words used in a \*bill of exchange to indicate that the period of the bill should commence from the date inserted on the bill, e.g. "... 30 days after date, we promise to pay ...". *Compare* after sight; at sight.

**after-hours deals** Transactions made on the \*London Stock Exchange after its official close at 3.30 pm. Such deals are recorded as part of the following day's trading and are therefore also known as **early bargains**.

**after-sales service** Maintenance of a product by its manufacturer or his agent after it has been purchased. This often takes the form of a guarantee (*see* warranty), which is effective for a stated period during which the service is free in respect of both parts and labour, followed by a maintenance contract for which the buyer of the product has to pay. Efficient and effective after-sales service is an essential component of good marketing policy, especially for such con-

sumer durables as cars and computers; in the case of exported goods it is of overriding importance.

**after sight** The words used in a \*bill of exchange to indicate that the period of the bill should commence from the date on which the drawee is presented with it for acceptance, i.e. has sight of it. *Compare* after date; at sight.

**AG** Abbreviation for *Aktiengesellschaft*. It appears after the name of a West German, Austrian, or Swiss company, being equivalent to the British abbreviation plc (i.e. denoting a public limited company). *Compare* GmbH.

**agency** 1. The business carried on by a commercial (or mercantile) \*agent. 2. The relationship between an agent and his principal.

**agenda** The list of items to be discussed at a business meeting. For the \*annual general meeting or an \*extraordinary general meeting of a company, the agenda is usually sent to shareholders in advance. *See also* order of business.

**agent** A person appointed by another (the **principal**) to act on his behalf, often to negotiate a contract between the principal and a third party. If an agent discloses his principal's name (or at least the existence of a principal) to the third party with whom he is dealing, the agent himself is not normally liable on the contract. An **undisclosed principal** is one whose existence is not revealed by the agent to a third party; he may still be liable on the contract, but in such cases the agent is also liable. However, an undisclosed principal may not be entitled to the benefit of a contract if the agency is inconsistent with the terms of the contract or if the third party shows that he wished to contract with the agent personally.

Agents are either **general agents** or **special agents**. A general agent is one who has authority to act for his prin-

cipal in all business of a particular kind, or who acts for the principal in the course of his (the agent's) usual business or profession. A special agent is authorized to act only for a special purpose that is not in the ordinary course of the agent's business or profession. The principal of a general agent is bound by acts of the agent that are incidental to the ordinary conduct of the agent's business or the effective performance of his duties, even if the principal has imposed limitations on the agent's authority. But in the case of a special agent, the principal is not bound by acts that are not within the authority conferred. In either case, the principal may ratify an unauthorized contract. A commercial (or mercantile) agent selling goods on behalf of his principal sometimes agrees to protect his principal against the risk of the buyer's insolvency. Such an agent is called a \*del credere agent.

**agent de change** A stockbroker on the Paris Bourse (*see* bourse).

**age of consent** An age that depends upon the legal circumstances to which it refers. For commercial purposes, it is set at 18 years by the Family Law Reform Act (1969). A \*contract entered into by a minor (i.e. someone below the age of consent) is not always capable of being enforced.

**age relief** An additional \*personal allowance set against income for income-tax purposes in the UK for both single people and married couples over 65. At the age of 75 both the personal allowance and the married couple's allowance are increased.

**aggregate demand** The sum of demands for all the goods and services in an economy at any particular time. Made a central concept in \*macroeconomics by Keynes, it is usually defined as the sum of consumers' expenditure (*see* consumption), \*investment, government expen-



## aggregate supply

diture, and imports less exports. Keynesian theory (see Keynesianism) proposes that the free market will not always maintain a sufficient level of aggregate demand to ensure \*full employment and that at such times the government should seek to stimulate aggregate demand (see pump priming). However, monetarists and new classical macroeconomists have questioned the feasibility of such policies and this remains a critical issue in macroeconomics. See also aggregate supply.

**aggregate supply** The total supply of all the goods and services in an economy. Keynes made \*aggregate demand the focus of macroeconomics; however, since the 1970s many economists have questioned the importance of aggregate demand in determining the health of an economy, suggesting instead that governments should concentrate on establishing conditions to encourage the supply of goods and services. This could entail \*deregulation, encouraging \*competition, and removing restrictive practices in the labour market.

**AGM** Abbreviation for \*annual general meeting.

**Agricultural Bank (Land Bank)** A credit bank specifically established to assist agricultural development, particularly by granting loans for longer periods than is usual with commercial banks.

**Agricultural Credit Corporation Ltd (ACC)** A corporation established in 1964 to extend the availability of medium-term bank credit for buildings, equipment, livestock, and working capital to farmers, growers, and co-operatives. The ACC offers a guarantee to the farmer's bank for such loans and promises to repay the bank should the farmer fail to do so. In return for this service the farmer pays a percentage charge to the ACC.

**Agricultural Mortgage Corporation Ltd (AMC)** A corporation estab-

lished to grant loans to farmers against mortgages on their land by the Agricultural Credits Act (1928). The AMC offers loans for periods of 5 to 30 years. The capital of the corporation is supplied by the Bank of England, the joint-stock banks, and by the issue of state-guaranteed debentures. The corporation's loans are irrevocable except in cases of default and are usually made through the local branches of the commercial banking system.

**AIDA (attention, interest, desire, action)** A 19th-century mnemonic for the progressive steps of customer reaction in the process of making a sale. See advertising.

**aids to trade** The formal study of commerce recognizes four aids to trade: advertising, banking, insurance, and transport.

**aid trade provision (ATP)** A major component of the British aid programme, which seeks to combine aid to developing countries with creating business for UK companies. Subsidized loans and credits are offered to developing countries on condition that goods and services are purchased from UK-based enterprises.

**air consignment note** See air waybill.

**air date** The date of first transmission of a commercial or an advertising campaign on television.

**air freight 1.** The transport of goods by aircraft, either in a scheduled airliner or chartered airliner carrying passengers (an all-traffic service) or in a freight plane (an all-freight service). Air cargo usually consists of goods that have a high value compared to their weight. **2.** The cost of transporting goods by aircraft. It is usually quoted on the basis of a price per kilogram.

**airspace 1.** The space that lies above a state's land and sea territory and is subject to its exclusive jurisdiction. **2.**