Glossary Of Business Terms

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Absorbed Account: An account that has lost its separate identity by being combined with related accounts in the preparation of a financial statement.

Absorbed Business: A company that has been merged into another company.

Absorbed costs: The indirect costs associated with manufacturing, for example, insurance or property taxes.

Absorption costing: An accounting practice in which fixed and variable costs of production are absorbed by different cost centers.

Abusive tax shelter: A tax shelter that somebody claims illegally to avoid or minimize tax Accelerated cost recovery system: A system used in computing the depreciation of some assets acquired before 1986 in a way that reduces taxes.

Accelerated depreciation: A system used for computing the depreciation of some assets in a way that assumes that they depreciate faster in the early years of their acquisition.

Access bond: A type of mortgage that permits borrowers to take out loans against extra capital paid into the account, home-loan interest rates being lower than interest rates on other forms of credit.

Account: A record of a business transaction.

A contract arrangement, written or unwritten, to purchase and take delivery with payment to be made later as arranged.

Accounting cost: the cost of maintaining and checking the business records of a person or organization and the preparation of forms and reports for financial purposes.

Accounting insolvency: A the condition that a company is in when its liabilities to its creditors exceeds its assets.

Account balance: The difference between the debit and the credit sides of an account.

Accountant: One who is skilled at keeping business records.

Usually, a highly trained professional rather than one who keeps books.

An accountant can set up the books needed for a business to operate and help the owner understand them.

Accounting period: A time interval at the end of which an analysis is made of the information contained in the bookkeeping records.

Also the period of time covered by the profit and loss statement.

Accounts payable: Money which you owe to an individual or business for goods or services that have been received but not yet paid for.

Accounting rate of return: the ratio of profit before interest and taxation to the percentage of capital employed at the end of a period.

Variations include using profit after interest and taxation, equity capital employed, and average capital for the period.

Accounts receivable: Money owed to your business for goods or services that have been delivered but not yet paid for.

Accounts receivable factoring: the buying of accounts receivable at a discount with the aim of making a profit from collecting them.

Accrual basis: A method of keeping accounts that shows expenses incurred and income earned for a given fiscal period, even though such expenses and income have not been actually paid or received in cash.

Actuary: A professional expert in pension and life insurance matters, particularly trained in mathematical, statistical, and accounting methods and procedures, and in insurance probabilities.

Administrative expense: Expenses chargeable to the managerial, general administrative and policy phases of a business in contrast to sales, manufacturing, or cost of goods expense.

Advertising: The practice of bringing to the public's notice the good qualities of something in order to induce the public to buy or invest in it.

Agent: A person who is authorized to act for or represent another person in dealing with a third party.

Amortization: To liquidate on an installment basis; the process of gradually paying off a liability over a period of time.

Analysis: Breaking an idea or problem down into its parts; a thorough examination of the parts of anything.

Annual report: The yearly report made by a company at the close of the fiscal year, stating the company's receipts and disbursements, assets and liabilities.

Appraisal: Evaluation of a specific piece of personal or real property.

The value placed on the property evaluated.

Appreciation: The increase in the value of an asset in excess of its depreciable cost due to economic and other conditions, as distinguished from increases in value due to improvements or additions made to it.

Arrears: Amounts past due and unpaid.

Articles of Incorporation: A legal document filed with the state that sets forth the purposes and regulations for a corporation.

Each state has different regulations.

Assets: Anything of worth that is owned.

Accounts receivable are an asset.

Audiotaping: The act of recording onto an audiotape.

Audit: An examination of accounting documents and of supporting evidence for the purpose of reaching an informed opinion concerning their propriety.

Back pay: pay that is owed to an employee for work carried out before the current payment period and is either overdue or results from a backdated pay increase.

Backup: a period in which bond yields rise and prices fall, or a sudden reversal in a stock market trend.

Bad debts: Money owed to you that cannot be collected.

Balance: The amount of money remaining in an account.

Balanced budget: a budget in which planned expenditure on goods and services and debt income can be met by current income from taxation and other central government receipts.

Balanced investment strategy: a strategy of investing in a variety of types of companies and financial instruments to reduce the risk of loss through poor performance of any one type.

Balance of payments: a list of a country's credit and debit transactions with international financial institutions and foreign countries in a specific period.

Balance of trade: the difference between a country's exports and imports of goods and services.

Balance sheet: An itemized statement that lists the total assets and total liabilities of a given business to portray its net worth at a given moment in time.

Ballpark: an informal term for a rough, estimated figure.

The term was derived from the approximate assessment of the number of spectators that might be made on the basis of a glance around at a sporting event.

Bank card: a plastic card issued by a bank and accepted by merchants in payment for transactions.

The most common types are credit cards and debit cards, although smart cards have been introduced.

Bank cards are governed by an internationally recognized set of rules for the authorization of their use and the clearing and settlement of transactions.

Banker's draft: a bill of exchange payable on demand and drawn by one bank on another.

Regarded as being equivalent to cash, the draft cannot be returned unpaid.

Bank guarantee: a commitment made by a bank to a foreign buyer that the bank will pay an exporter for goods shipped if the buyer defaults.

Bank statement: A monthly statement of account which a bank renders to each of its depositors.

Bankruptcy: the condition of being unable to pay debts, with liabilities greater than assets.

Barren money: money that is unproductive because it is not invested.

Benchmarking: Rating your company's products, services and practices against those of the front-runners in the industry.

Bill of entry: A statement of the nature and value of goods to be imported or exported, prepared by the shipper and presented to a customhouse.

Bill of lading: A statement of the nature and value of goods being transported, especially by ship, along with the conditions applying to their transportation.

Drawn up by the carrier, this document serves as a contract between the owner of the goods and the carrier.

Bill of sale: Formal legal document that conveys title to or interest in specific property from the seller to the buyer.

Black market: an illegal market, usually for goods that are in short supply.

Black market trading breaks government regulations or legislation and is particularly prevalent during times of shortage, such as rationing, or in industries that are very highly regulated, such as pharmaceuticals or armaments.

Board of directors: Those individuals selected to sit on an authoritative standing committee or governing body, taking responsibility for the management of an organization.

Members of the board of directors are officially chosen by the shareholders, but in practice they are usually selected on the basis of the current board's recommendations.

The board usually includes major shareholders as well as directors of the company.

Board of Trustees: a committee or governing body that takes responsibility for managing, and holds in trust, funds, assets, or property belonging to others, for example, charitable or pension funds or assets.

Bookkeeping: The process of recording business transactions into the accounting records.

The "books" are the documents in which the records of transactions are kept.

Bottom line: The figure that reflects company profitability on the income statement.

The bottom line is the profit after all expenses and taxes have been paid.

Brand: A design, mark, symbol or other device that distinguishes one line or type of goods from those of a competitor.

Brand name: A term, symbol, design or combination thereof that identifies and differentiates a seller's products or service.

Break-even: The point of business activity when total revenue equals total expenses.

Above the break-even point, the business is making a profit.

Below the break-even point, the business is incurring a loss.

Budget: An estimate of the income and expenditures for a future period of time, usually one year.

Business venture: Taking financial risks in a commercial enterprise.

Capital: Money available to invest or the total of accumulated assets available for production.

Capital account: the sum of a company's capital at a particular time Capital allowance: the tax advantage that a company is granted for money that it spends on fixed assets.

business contracts legal terms and definitions glossary

glossary of business contract terms - general, financial, property and latin definitions - a translation guide for legal gobbledegook and contract jargon

Here is a business contracts terms and definitions glossary - essentially for UK, and a useful guide for anywhere else in the world. When you are involved in business contract negotiations - especially for your own business - you can achieve far better negotiated results if you have a good understanding of what contracts and their terminology actually mean. This will empower you to utilise your legal advice for **specialist legal issues** rather than **strategic decision-making**, over which you must have full control.

If you are the boss, or accountable for a contractual outcome, you must understand contracts and their meaning. When you understand what contracts mean you increase your control over the situation, your advisors, the other party, their advisors, and the negotiated outcomes.

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Contracts are an important part of business life. They establish agreements between you and your employees, landlords or tenants, suppliers, customers and with other businesses. They are usually drawn up by solicitors and can be full of legal jargon.

A contract is an agreement that commits you or your business to a course of action. Therefore, it is important that you ask your solicitor or adviser to explain any language or terminology that you do not understand.

This guide provides plain English explanations for some of the expressions that you might come across, including:

- general contracts terms
- financial contracts terms
- property contracts terms
- Latin contracts terms

You should never sign any contract unless you have read and understood what it aims to do and what the terminology means.

Note: terms highlighted in bold within the current definitions (eg **offer**) are explained elsewhere in this guide.

general business contracts terms and definitions glossary

Acceptance - the unconditional agreement to an **offer**. This creates the contract. Before acceptance, any offer can be withdrawn, but once accepted the contract is binding on both sides. Any **conditions** have the effect of a counter offer that must be accepted by the other party.

Agent - somebody appointed to act on behalf of another person (known as the principal). The amount of authority to deal that the agent has is subject to agreement between the principal and the agent. However, unless told otherwise, third parties can assume the agent has full powers to deal.

Arbitration - using an independent third party to settle disputes without going to court. The third party acting as arbitrator must be agreed by both sides. Contracts often include arbitration clauses nominating an arbitrator in advance.

Breach of contract - failure by one party to a contract to uphold their part of the deal. A breach of contract will make the whole contract void and can lead to damages being awarded against the party which is in breach.

Collective agreement - term used for agreements made between employees and employers, usually involving trade unions. They often cover more than one organization. Although these can be seen as contracts, they are governed by employment law, not contract law.

Comfort letters - documents issued to back up an agreement but which do not have any contractual standing. They are often issued by a parent or associate company stating that the group will back up the position of a small company to improve its trading position. They always state that they are not intended to be legally binding. Also known as **letters of comfort**.

Company seal - an embossing press used to indicate the official signature of a company when accompanied by the signatures of two officers of the company. Since 1989 it has been possible for a company to indicate its agreement without use of the seal, by two signatures (directors or company secretary) plus a formal declaration. However, some companies still prefer to use a seal and the articles of a company can override the law and require a seal to be used.

Conditions - major terms in a contract. Conditions are the basis of any contract and if one of them fails or is broken, the contract is breached. These are in contrast to **warranties**, the other type of contract term, which are less important and will not usually lead to the breach of the contract - but rather an adjustment in price or a payment of damages.

Confidentiality agreement - an agreement made to protect confidential information if it has to be disclosed to another party. This often happens during negotiations for a larger contract, when the parties may need to divulge information about their operations to each other. In this situation, the confidentiality agreement forms a binding contract not to pass on that information whether or not the actual contract is ever signed. Also known as a non-disclosure agreement.

Consideration - in a contract each side must give some consideration to the other. Often referred to as the quid pro quo - see the Latin terms below. Usually this is the price paid by one side and the goods supplied by the other. But it can be anything of value to the other party, and can be negative - eg someone promising not to exercise a right of access over somebody else's land in return for a payment would be a valid contract, even if there was no intention of ever using the right anyway.

Consumer - a person who buys goods or services but not as part of their business. A company can be a consumer for contracts not related to its business - especially for goods or services it buys for its employees. Charities are also treated as consumers.

Due diligence - the formal process of investigating the background of a business, either prior to buying it,

or as another party in a major contract. It is used to ensure that there are no hidden details that could affect the deal.

Employment contract - a contract between an employer and an employee. This differs from other contracts in that it is governed by employment legislation - which takes precedence over normal contract law.

Exclusion clauses - clauses in a contract that are intended to exclude one party from liability if a stated circumstance happens. They are types of **exemption clauses**. The courts tend to interpret them strictly and, where possible, in favour of the party that did not write them. In customer dealings, exclusion clauses are governed by regulations that render most of them ineffective but note that these regulations do not cover you in business dealings.

Exemption clauses - clauses in a contract that try to restrict the liability of the party that writes them. These are split into **exclusion clauses** that try to exclude liability completely for specified outcomes, and limitation clauses that try to set a maximum on the amount of damages the party may have to pay if there is a failure of some part of the contract. Exemption clauses are regulated very strictly in consumer dealings but these don't apply for those who deal in the course of their business.

Express terms - the terms actually stated in the contract. These can be the written terms, or verbal ones agreed before or at the time the contract is made (see **implied terms**).

Franchising - commercial agreements that allow one business to deal in a product or service controlled by another. For example, most car manufacturers give franchises to sell their cars to local garages, who then operate using the manufacturer's brand.

Going concern - accounting idea that a business should be valued on the basis that it will be continuing to trade and able to use its assets for their intended purpose. The alternative is a break-up basis, which sets values according to what the assets could be sold for immediately - often much less than their value if they were kept in use.

Implied terms - are terms and clauses that are implied in a contract by law or custom and practice without actually being mentioned by any party. Terms implied by custom and practice can always be overridden by **express terms**, but some terms implied by law cannot be overridden, particularly those relating to consumers (see **exemption clauses**).

Incorporate - inclusion in, or adoption of, some term or condition as part of the contract. It differs from its company law definition where it refers to the legal act of creating a company.

Injunction - a remedy sometimes awarded by the court that stops some action being taken. It can be used to stop another party doing something against the terms of the contract. Injunctions are at the court's discretion and a judge may refuse to give one and award **damages** instead - see the finance contract terms below.

Joint and several liability - where parties act together in a contract as partners they have joint and several liability. In addition to all the partners being responsible together, each partner is also liable individually for the entire contract - so a creditor could recover a whole debt from any one of them individually, leaving that person to recover their shares from the rest of the partners.

Joint venture - an agreement between two or more independent businesses in a business enterprise, in which they will share the costs, management, profits or benefits arising from the venture. The exact shares and responsibilities will be set out in a Joint Venture Agreement.

Jurisdiction - a jurisdiction clause sets out the country or state whose laws will govern the contract and where any legal action must take place. Don't forget that England and Scotland have different legal codes, and this may need to be specified.

Letters of comfort - see **Comfort letters**.

Liability - a person or business deemed liable is subject to a legal obligation. A person/business who commits a wrong or breaks a contract or trust is said to be liable or responsible for it.

Limited liability - usually refers to limited companies where the owners' liability to pay the debts of the company is limited to the value of their shares. It can also apply to contracts where a valid limitation clause has been included in the terms.

Liquidation - the formal breaking up of a company or partnership by realising (selling or transferring to pay a debt) the assets of the business. This usually happens when the business is insolvent, but a solvent business can be liquidated if it no longer wishes to continue trading for whatever reason (see **receivership** in the financial terms below).

Misrepresentation - where one party to a contract makes a false statement of fact to the other which that other person relies on. Where there has been a misrepresentation then the party who received the false statement can get **damages** for their loss. The remedy of rescission (putting things back to how they were before the contract began) is sometimes available, but where it is not possible or too difficult the court can award damages instead.

Non-executive director - a director who does not work directly for a company but advises the other directors. Non-executive directors have the full powers and authority of any other director and can bind the company to any contract.

Offer - an offer to contract must be made with the intention to create, if accepted, a legal relationship. It must be capable of being accepted (not containing any impossible conditions), must also be complete (not requiring more information to define the offer) and not merely advertising.

Parent company - where one company owns more than 50 per cent of the voting rights of another company it is the parent of that company which in turn becomes its subsidiary. It can also occur where the parent has less than 50 per cent but can control the board of directors of the subsidiary: that is, it has the power to appoint and remove directors without referring to other shareholders.

Partnership - when two or more people or organizations join together to carry on a business.

Proxy - a person who acts on behalf of another for a specific purpose, or the form used to make such an appointment. In a company a shareholder can appoint a proxy to attend a meeting and vote on their behalf.

Quorum - the minimum number of people needed at a meeting for it to proceed and make any decisions.

Ratification - giving authority to an act that has already been done. A company general meeting resolution

can ratify an act previously done by the directors; or a principal can choose to ratify the act of an **agent** that was beyond the specified power of the agent.

Registered Office - the official address of the company as stated on the register at Companies House. Any documents delivered to this address are considered to be legally served on the company.

Repudiation - has two meanings in contract law. The first is where a party refuses to comply with a contract and this amounts to a breach of contract. The second is where a contract was made by a minor (person under the age of 18) who then repudiates it at or shortly after the age of 18. Then the repudiation **voids** the contract rather than causing a **breach of contract**.

Restrictive covenant - is often included in long-term contracts and contracts of employment to stop the parties working with competitors during the period of the agreement and for some time thereafter. However, unless carefully written the courts will see them as being a restraint of trade and not enforce them.

Service contract - directors and officers of a company are usually given service contracts that are different to a contract of service or employment contract. This is because directors and officers are not always employees and the effect of employment law is different.

Shareholders' agreement - an agreement between all of the shareholders about how the company should be run and the application of the rights of the shareholders. This acts as a contract between the shareholders. The company itself is not bound by it, as it is not a party to the agreement.

Subject to contract - words used on documents exchanged by parties during contract negotiations. They denote that the document is not an offer or acceptance and negotiations are ongoing. Often the expression **without prejudice** is used when subject to contract is meant.

Trademark - a registered name or logo that is protected by law. Trademarks must be granted through the Patent Office.

Underwriter - a person who signs as party to a contract. Now usually only applied to insurance contracts where the underwriters are those who agree to bear all or part of the risk in return for the premium payments. Underwriters at Lloyd's of London are also known as names.

Unfair terms - some terms are made unfair by legislation and will not be enforced by the courts and may even be interpreted against the person who included them in the contract. The legislation mainly protects consumers, but can also apply where there is a business-to-business contract in which one party is significantly more powerful than the other.

Void - a void contract is one that cannot be performed or completed at all. A void contract is void from the beginning (ab initio - see the Latin terms below) and the normal remedy, if possible, is to put things back to where they were before the contract. Contracts are void where one party lacks the capacity to perform the contracted task, it is based on a mistake, or it is illegal.

Warranties - promises made in a contract, but which are less than a **condition**. Failure of a warranty results in liability to pay damages (see the financial terms below) but will not be a **breach of contract** unlike failure of a condition, which does breach the contract.

Without prejudice - a term used by solicitors in negotiations over disputes where an offer is made in an attempt to avoid going to court. If the case does go to court no offer or facts stated to be without prejudice can be disclosed as evidence. Often misused by businesses during negotiations when they actually mean **subject to contract**.

financial contracts terms and definitions glossary

Note: terms highlighted in bold within the current definitions (eg **wound up**) are explained elsewhere in this guide.

Bankruptcy - the formal recognition that a person cannot pay their debts as they are due. Note this only applies to individuals, companies and partnerships that become insolvent are **wound up**.

Damages - money paid as the normal **remedy** in the law as compensation for an individual or company's loss. If another type of remedy is wanted (such as an **injunction** - see general contract terms below but cannot be or is not given by the court, then damages will be awarded instead.

Debenture - a formal debt agreement. It refers to both the agreement and the document that verifies it. It is usually issued by companies and is generally supported by security over some property of the debtor. If the debtor defaults, the creditor can take and sell the property. Debentures are often transferable, so the creditor can sell it and there are markets on formal stock exchanges that deal in types of debenture. It is sometimes referred to as debenture stock. A mortgage is a type of debenture but one that is always secured, usually against land.

Floating charge - a form of security for a debt. Instead of naming a specific property, which can be taken by the creditor if the debtor defaults (as in a fixed charge like a mortgage), a class of goods or assets is named, such as the debtor's stock. This allows the debtor to trade in the assets freely, but if the debtor fails to make repayments then the floating charge becomes a fixed charge (known as crystallisation) over all the stock at that time. The creditor can then take and sell it to recover the debt.

Guarantee - a secondary agreement by which one person promises to honour the debt of another if that debtor fails to pay. Banks and other creditors often call on directors of small companies to give their personal guarantees for company debts. A guarantee must be in writing. The guarantor can only be sued if the actual debtor can't pay, in contrast to **indemnity**.

Indemnity - a promise by a third party to pay a debt owed, or repay a loss caused, by another party. Unlike a **guarantee**, the person owed can get the money direct from the indemnifier without having to chase the debtor first. Insurance contracts are contracts of indemnity: the insurance company pays first, and then tries to recover the loss from whoever caused it.

Insolvency - the situation where a person or business cannot pay its debts as they fall due (see **bankruptcy**, **liquidation** and **receivership**).

Liquidation - the formal breaking up of a company or partnership by realising (selling or transferring to pay a debt) the assets of the business. This usually happens when the business is insolvent, but a solvent

business can be liquidated if it no longer wishes to continue trading for whatever reason (see **receivership**).

Receivership - the appointment of a licensed insolvency practitioner to take over the running of a company. A creditor with a secured debt appoints the receiver. The job of the receiver is to recover the debt either by taking the security and selling it or by running the business as a going concern until the debt is paid off (see **liquidation**).

Redemption of shares - where a company issues shares on terms stating that they can be bought back by the company. Not all shares can be redeemed, only those stated to be redeemable when they were issued. The payment for the shares must generally come from reserves of profit so that the capital of the company is preserved.

Remedy/Remedies - payments or actions ordered by the court as settlement of a dispute. The most common is **damages** (a payment of money). Others include specific performance (of an action required in the contract), **injunction** (see the general contract terms above) and rescission - putting things back to how they were before the contract was signed.

Stamp duty - a tax on transactions. Only applied to specific types of transactions eg dealings in land and buildings, shares and ships.

Wound up - winding-up is the formal procedure for disbanding a company.

property contracts terms and definitions glossary

Note: terms highlighted in bold within the current definitions (eg **deed**) are explained elsewhere in this guide.

Break clause - a clause that allows a tenant to end a lease at specific times during the period of the lease.

Conveyance - a **deed** that conveys property rights.

Covenant - a promise within a contract for the performance or non-performance of a specified act.

Deed - a written document by which a person transfers ownership of real property to another. A deed must be properly executed and delivered in order to be effective.

Disclaimer - a written document denying legal responsibility, or a limitation of rights that might otherwise be claimed.

Easement - an interest in land owned by another that entitles its holder to a specific limited use or enjoyment eg the right to cross the land, or to continue to have an unobstructed view over it.

Encroachment - when a building or some portion of it, or a wall or fence, extends beyond the land of the owner and illegally intrudes upon that of an adjoining owner.

Equity - the monetary value of a property after any claims, such as a mortgage, are taken away.

Eviction - the dispossession of a tenant of leased property by force or through the legal process.

Exchange - the exchange of agreed, signed contracts. The transaction between the seller and the buyer is then legally binding, and completion (including the final transfer of money) usually takes place two to four weeks later.

Fixture - a permanently fixed piece of furniture or equipment incorporated into a property. Removing it would cause damage to buildings or land, and is therefore regarded as legally part of it.

Freehold - outright ownership of a property. This type of **tenure** contrasts with leasehold where the leaseholder has the rights to occupy a property for a specified period of time.

Habitable - suitable and fit for a person to live in and free of any faults that might endanger the health and safety of occupants.

Holdover Tenancy - a **tenancy** that arises when someone remains in possession of a property after the expiration of the previous tenancy and is recognised by the landlord by accepting rent.

Indenture - a deed or other document to which two or more parties are bound.

Invitee - a person, such as a customer, who is present in a place either by the express or the implied invitation of the occupier. This normally means that the occupier has to exercise reasonable care to protect the safety of the invited person.

Landlord - the owner of property that is leased or rented to others.

Lease - a contract by which an owner of property conveys exclusive possession and use of it for a specified rent and for a specified period - after which the property reverts to the owner.

Legal duty - the responsibility to others to act according to the law.

Loss of use - circumstances where a property cannot be occupied in the normal way, through the negligence or wrongdoing of another party.

Notice to quit - a notification or communication to a tenant to leave specified premises usually for a breach of terms of the lease.

Occupancy - holding, possessing, or occupying **premises**.

Occupant - someone who occupies a particular place.

Partition - the division into parts of property held jointly, or the sale of such property by a court with division of the proceeds.

Party wall - a wall that divides two separate premises, which is the joint responsibility of both owners.

Premises - a building or part of a building usually including the adjacent grounds.

Quit - for a tenant to move out of rented premises.

Reasonable wear and tear - damage sustained in the course of normal use.

Repossess - to take possession again of a property or goods after non-payment of money owed. This might follow a court order.

Search - an inspection carried out to establish whether any legal restraints, planning applications or aspects of legal ownership might affect the purchase of a property. Solicitors will look into land registry and local government records when pursuing this.

Sublease - a lease that is given by a tenant of part or all of the leased premises, to another person for a period shorter than the original lease, while still retaining some interest.

Tenancy - the temporary possession or **occupancy** of property that belongs to another. It also refers to the period of a tenant's possession.

Tenure - the way in which a property is held eg **freehold** tenure or leasehold tenure.

Trespass - a wilful act or active negligence that causes an injury to a person or the invasion of their property.

Vendee - the person to whom a property is sold.

Vendor - the person who is selling a property.

latin contracts terms and definitions glossary

Note: terms highlighted in bold within the current definitions (eg **mala fides**) are explained elsewhere in this guide.

Ab initio (ab init) - from the beginning. Can mean that breaking some terms in a long-running contract results in the contract having been broken from the start.

Bona fide - in good faith. Usually implies an amount of trust that the parties are acting without any hidden motives. The opposite is **mala fides** - in bad faith.

Bona vacantia - vacant property. Refers to a situation where property or goods end up not being owned by anyone. This can happen if a person dies without heirs or a company is struck off without all its property being distributed. It can also occur where a contract becomes void and property under it cannot be restored to an owner. In the UK, any such property then belongs to the Crown and expensive proceedings are required to get it back.

Caveat emptor - buyer beware. This is a general rule that it is up to the buyer to find out if what they are buying is what they want. Consumer regulations require certain information to be disclosed to consumers

and insurance contracts are covered by the **uberrimae fides** - but many types of business contracts are covered by the caveat emptor rule.

Consensus ad idem - agreement on an idea. This is the concept that the parties to the contract must all be in agreement on the basis of the contract. If it is discovered that the parties were thinking different things, then there is no consensus and the contract is void.

De facto - in fact. The opposite of **de jure** (in law). Having a practical effect different from the legally accepted or expected situation. For example, a person who deliberately or negligently gives the impression to another party of being a company director, can be treated as a de facto director. So any agreement or statements will bind the company they make as if a properly appointed director made them.

De jure - in law. According to law, the opposite of **de facto**.

De minimis - short for de minimis non curat lex: the law does not concern itself with trifles. It basically means insignificant or too small to bother with.

De novo - start afresh. Starting a new contract on the same basis as the old.

Exempli gratia (eg) - for example. One or more examples from a greater list of possibilities. Compares with **id est (ie)**, that is, which indicates a full, definitive list of all possibilities.

Ex gratia - out of grace. A gift made without any obligation on the part of the giver or any return from the receiver.

Ex parte - on behalf of. An action, usually a legal action, taken by a party on someone else's behalf.

Ex post facto - because of some later event. Where a later event or occurrence interferes with an earlier agreement.

Id est (ie) - that is. Is followed by a definition or list of items or options that relate to a preceding statement or condition. Differs from **exempli gratia (eg)** - for example - that gives some, but not all, examples of the items or options.

Inter alia - among other things. This is often used in contracts to indicate that what is being specifically referred to is part of a larger group without having to name all the elements.

Mala fides - bad faith, opposite of **bona fide**.

Nemo dat quod non habet - no one can give what they do not have. The principle that a seller cannot pass on a better right to the property than they actually have. So, if goods are stolen, the buyer does not get ownership even if there was no indication that they were stolen.

Non compos mentis - not of sound mind. A person who is not of sound mind will not have full capacity to enter into a contract.

Non est factum - not my act. This is a denial by a person that they were actually involved in some action or dealings. In a contract, it can occur if a party denies that they signed the contract - that someone else forged their signature.

Pari passu - equal and even. This relates to shares to denote that newly issued shares have the same rights and restrictions as those of the same class already existing.

Prima facie - at first sight. A prima facie fact is one that seems to be correct, but may subsequently be proved wrong by other evidence.

Pro rata - for the rate. Divided in proportion to some existing split. For example, a pro rata share issue is offered in proportion to the number of shares each shareholder already has.

Pro tanto - for so much. Means to the extent specified, but not more.

Pro tempore (pro tem) - for the time being.

Quid pro quo - something for something. The usual definition of **consideration** (see the general contracts terms above) in a contract, on the basis that each party should offer something to the other.

Uberrima fides - utmost good faith. The concept that a party to certain types of contract must act in good faith and declare all relevant facts to the other side even if they do not ask. This only usually applies to insurance contracts where the insured person must declare all known risks. It is an exemption to the general contract rule of **caveat emptor**.

Capital appreciation: the increase in a company's or individual's wealth.

Capital asset: an asset that is difficult to sell quickly.

for example, real estate.

Capital budget: a budget for the use of a company's money.

Capital controls: regulations placed by a government on the amount of capital residents may hold.

Capital equipment: Equipment that you use to manufacture a product, provide a service or use to sell, store and deliver merchandise.

Such equipment will not be sold in the normal course of business, but will be used and worn out or consumed in the course of business.

Capital gains (and losses): The financial gain made upon the disposal of an asset.

The gain is the difference between the cost of its acquisition and net proceeds upon its sale.

Capital goods: stocks of physical or financial assets that are capable of generating income.

Capital inflow: the amount of capital that flows into an economy from services rendered abroad.

Capitalism: an economic and social system in which individuals can maximize profits because they own the means of production.

Capitalist: an investor of capital in a business.

Capitalization: the amount of money invested in a company or the worth of the bonds and stocks of a company.

Cash: Money in hand or readily available.

Cash discount: A deduction that is given for prompt payment of a bill.

Cash flow: The actual movement of cash within a business; the analysis of how much cash is needed and when that money is required by a business within a period of time.

Cash receipts: The money received by a business from customers.

Centralization: the gathering together, at a corporate headquarters, of specialist functions such as finance, personnel and information technology.

Centralization is usually undertaken in order to effect economies of scale and to standardize operating procedures throughout the organization.

Centralized management can become cumbersome and inefficient and may produce communication problems.

Some organizations have shifted toward decentralization to try to avoid this.

Certificate: A document representing partial ownership of a company that states the number of shares that the document is worth and the names of the company and the owner of the shares.

Certified Public Accountant: An accountant to whom a state has given a certificate showing that he has met prescribed requirements designed to insure competence on the part of the public practitioner in accounting and that he is permitted to use the designation Certified Public Accountant, commonly abbreviated as CPA.

Chamber of Commerce: An organization of business people designed to advance the interests of its members.

There are three levels: national, state and local.

Chief Executive: the person with overall responsibility for ensuring that the daily operations of an organization run efficiently and for carrying out strategic plans.

The chief executive of an organization normally sits on the board of directors.

In a limited company, the chief executive is usually known as a managing director.

Chief Executive Officer: the highest ranking executive officer within a company or corporation, who has responsibility for over-all management of its day-to-day affairs under the supervision of the board of directors.

Abbr.

CEO Chief financial officer: the officer of the organization responsible for handling finds, signing checks, the keeping of financial records, and financial planning of the company.

Choice: A decision to purchase that is based on an evaluation of alternatives.

Clicks and brick: a business strategy that involves combining the traditional retail outlets with online commerce.

Close corporation: a public corporation in which all of the voting stock is held by a few shareholders, for example,

management or family members.

Although it is a public company, shares would not normally be available for trading because of a lack of liquidity.

Close-end credit: a loan, plus any interest and finance charges, that is to be repaid in full by a specified future date.

Loans that have real estate or motor vehicles as collateral are usually closed-end.

Collateral: property or goods used as security against a loan and forfeited to the lender if the borrower defaults.

Co-signers: Joint signers of a loan agreement who pledge to meet the obligations of a business in case of default.

Commercial paper: uncollateralized loans obtained by companies, usually on a short-term basis.

Commission: A percentage of the principal or of the income that an agent receives as compensation for services.

Contract: An agreement regarding mutual responsibilities between two or more parties.

Controllable expenses: Those expenses that can be controlled or restrained by the business person.

Corporation: A voluntary organization of persons, either actual individuals or legal entities, legally bound together to form a business enterprise; an artificial legal entity created by government grant and treated by law as an individual entity.

Cost of goods sold: The direct cost to the business owner of those items which will be sold to customers.

Credit: Another word for debt.

Credit is given to customers when they are allowed to make a purchase with the promise to pay later.

A bank gives credit when it lends money.

Credit line: The maximum amount of credit or money a financial institution or trade firm will extend to a customer.

Current assets: Valuable resources or property owned by a company that will be turned into cash within one year or used up in the operations of the company within one year.

Generally includes cash, accounts receivable, inventory and prepaid expenses.

Current liabilities: Amounts owned that will ordinarily be paid by a company within one year.

Generally includes accounts payable, current portion of long-term debt, interest and dividends payable.

Debt: That which is owed.

Debt refers to borrowed funds and is generally secured by collateral or a co-signer.

Debt capital: The part of the investment capital that must be borrowed.

Default: The failure to pay a debt or meet an obligation.

Deficit: The excess of liabilities over assets; a negative net worth.

(advertisement) Deficit financing: The borrowing of money because expenditures will exceed receipts.

Deficit spending: government spending financed by borrowing rather than taxation.

Deflation: a reduction in the general level of prices sustained over several months, usually accompanied by declining employment and output.

Depreciation: A decrease in value through age, wear or deterioration.

Depreciation is a normal expense of doing business that must be taken into account.

There are laws and regulations governing the manner and time periods that may be used for depreciation.

Desktop publishing: Commonly used term for computer-generated printed materials such as newsletters and brochures.

Devaluation: a reduction in the official fixed rate at which one currency exchanges for another under a fixed-rate regime, usually to correct a balance of payments deficit.

Development capital: finance for the expansion of an established company.

Differentiated marketing: Selecting and developing a number of offerings to meet the needs of a number of specific market segments.

Direct cost: Ma variable cost directly attributable to production.

Items that are classed as direct cost include materials used, labor deployed, and marketing budget, and amounts spent will vary with output.

Direct mail: Marketing goods or services directly to the consumer through the mall.

Direct mail is one tool that can be used as part of a marketing strategy.

The use of direct mail is often administered by third-party companies that own databases containing not only names and addresses, but also social, economic, and lifestyle information.

It is sometimes seen as an invasion of personal privacy, and there is some public resentment of this form of advertising.

This is particularly true of e-mailed direct mail, known derogatively as SPAM.

Direct selling: The process whereby the producer sells to the user, ultimate consumer or retailer without intervening middlemen such as wholesalers, retailers, or brokers.

Direct selling offers many advantages to the customer, including lower prices and shopping from home.

Potential disadvantages include the lack of after-sales service, an inability to inspect products prior to purchase, lack of specialist advice, and difficulties in returning or exchanging goods.

Dirty price: the price of a debt instrument that includes the amount of accrued interest that has not yet been paid.

Discount: A deduction from the stated or list price of a product or service in relation to the standard price.

A discount is a selling technique to encourage customers to buy and is offered for a variety of reasons: for buying in quantity or for repeat buying; as a special offer to move a slow-moving line or for paying by cash, etc.

Distribution channel: All of the individuals and organizations involved in the process of moving products from producer to consumer.

The route a product follows as it moves from the original grower, producer or importer to the ultimate consumer.

Distributor: Middleman, wholesaler, agent or company distributing goods to dealers or companies.

Downsize: Term currently used to indicate employee reassignment, layoffs and restructuring in order to make a business more competitive, efficient, and/or cost-effective.