

Financial Jargon

Non-technical suggestions

1. <i>Budget</i>	Budgets are financial and/or quantitative statements, prepared and approved prior to a defined period of time, of the policy to be pursued during that period for the purposes of attaining given objectives. – CIMA Definition The negotiated and agreed financial, staffing and activity plans for your services. Budgets are negotiated and agreed and are not Allocations.
2. <i>Allocation</i>	A fixed, externally imposed financial limit, given without negotiation and agreement.
3. <i>Income</i>	The amount earned. A financial measure of the resources generated. Income is measured by accountants using the Accruals method of accounting, counting Income in the month and the year when it is earned by providing goods and services. It is fundamentally different from the cash received from customers. Your Income is a matter of professional judgement and Generally Accepted Accounting Practice (GAAP) – it is an estimate based upon assumptions.
4. <i>Expenditure</i>	The amount spent. A financial measure of the resources consumed. Expenditure is measured by accountants using the Accruals method of accounting, counting Expenditure in the month and the year when it is spent by using goods and services. It is fundamentally different from the cash Payments made to suppliers. Your Expenditure is a matter of professional judgement and Generally Accepted Accounting Practice (GAAP) – it is an estimate based upon assumptions.
5. <i>Receipts</i>	Cash received. The physical amount of cash received counted using the cash method of accounting.
6. <i>Payments</i>	Cash paid. The physical amount of cash paid counted using the cash method of accounting.
7. <i>Commitments</i>	The value of orders placed for goods and services which have not yet been delivered. Counted using the Commitments method of accounting.
8. <i>Accruals</i>	The method of accounting which measures Income and Expenditure – how much is earned and spent – and not the cash which is received and paid. The word Accruals refers to the method of accounting and also to the temporary timing adjustments made to the accounts in order to make them 'true and fair'. The Accruals method measures the resources generated and the resources consumed irrespective of whether the cash has been received or paid in advance or in arrears. The Accruals method is also referred to as I&E (Income & Expenditure) accounting and is a measure of the resource generation of your organisation.
9. <i>Revenue Expenditure</i>	The running costs of a department of service. Anything which is not Capital.

10. <i>Capital Expenditure</i>	Capital is used as the name for the money used and as a name for the items bought where the initial purchase price is over £5,000 and the item is due to last for more than a year.
11. <i>Depreciation</i>	A measure of the wearing out or loss of value of your Capital assets.
12. <i>Profitability</i>	The difference between the Income earned and the Expenditure incurred is the profit or loss (surplus or deficit) of your organisation. Profitability is measured using the Accruals method of accounting.
13. <i>Liquidity</i>	Liquidity is a measure of the amount of cash available and the value of assets which can be turned into cash quickly. Liquidity is the difference between the cash Receipts and cash Payments by an organisation. It is important because your organisation needs to be able to make Payments when they are due and needs to have received cash or have borrowing available in order to do this.
14. <i>Journal</i>	The transfer of amounts, for example income or expenditure, within the accounts between different financial codes.
15. <i>Virement</i>	The transfer of budget between different financial codes. The verb is 'to vire'.

What others have you heard?