

# A Short Glossary of Financial Terms

SOUTH WEST ARTS MARKETING

August 2000

# A SHORT GLOSSARY OF FINANCIAL TERMS

## Introduction

A Short Glossary of Financial Terms and the accompanying guide Budgets and Budgeting one of a series of publications produced by South West Arts Marketing for South West Arts and Bristol City Council.

The guides are intended as an introduction to arts marketing and as a practical guide for artists and organisations working with very limited resources.

Further information and advice on any of the topics covered in this guide or any other issue related to arts marketing, training, audience profiling, research or regional support networks are available from South West Arts Marketing on 0117-927 6936.

**South West Arts Marketing** is an independent agency established to add value to arts marketing activity in the South West by providing strategic services and support to artists and arts organisations wishing to increase and broaden their arts audiences.

For further information about the range of support and services available contact:

South West Arts Marketing  
St Nicholas Church  
St Nicholas Street  
Bristol  
BS1 1UE

Tel: 0117-927 6936/41  
Fax: 0117-927 6936  
e-mail: [info@swam.org.uk](mailto:info@swam.org.uk)

**South West Arts Marketing** is funded by South West Arts, Bristol City Council and Arts Council of England.

## A SHORT GLOSSARY OF FINANCIAL TERMS

### **Balance Sheet**

The financial statement showing the overall stored value (or net worth) of an organisation at a particular moment in time.

### **Bottom Line (The)**

The final figure on a *profit and loss account* that results from all the various calculations included on this statement, and thus represents the overall outturn of the business.

### **Capital**

Also referred to as 'the claims on the businesses assets', this is the term used for 'where the organisation's money has come from' and is thus sometimes used to refer to the part of the balance sheet which shows this.

### **Cash-flow**

A document or projection on which an organisation's income and expenditure on a cash basis, phased according to when this money will actually leave the businesses bank account or be received.

### **Contingency**

A budgetary figure entered to allow for unforeseen circumstances or events. Conventionally c.10% of a particular budget area.

### **Credit**

The process whereby an organisation provides goods or services to a customer, but then allows a certain amount of time for them to pay for it.

### **Credit period**

The time allowed to customers to pay for goods or services received.

### **Creditors**

Organisations or people to whom the organisation owes money.

### **Creditor Days**

The financial ratio used to assess (on average) how efficient an organisation is in paying its bills and thus meeting its liabilities.

### **Current Assets**

Anything owned by the organisation (or owed to it) which the organisation intends to sell or turn into cash in the short-term (or before the next balance sheet is drawn up (i.e. within a year).

### **Current Liabilities**

Things that the organisation owes to another organisation that will have to be repaid in the short-term (normally within one year).

### **Debtors**

Organisations or people who owe the business money.

### **Debtors Days**

Also known as the 'average collection period' this is the financial ratio which (on average) shows how efficient the organisation is at collecting what it owed.

**Deficit**

The term preferred in Not for Profit organisations to describe a situation where the *expenditure* incurred by a project (or by the entire organisation) is more than the income, which has been generated during the same period by this activity. If where EXPENDITURE > (is greater than) INCOME.

**Depreciation**

A notional figure charged to the organisation's overheads to allow for the reduction in value *fixed* assets due to wear and tear. These fixed assets are shown on the balance sheet after the relevant change for depreciation has been deducted.

**Direct Costs**

Costs that can be directly attributed or allocated to a particular project or activity (sometimes referred to as Project Costs or 'Cost of Sales').

**Expenditure**

Costs incurred by a project or business, and therefore money that is leaving it.

**Fixed Assets**

Things that the organisation owns and intends to keep for a medium or long-term period for the purposes of allowing it to carry out its business operations (e.g. premises, equipment, vehicles).

**Fixed Budget**

A budget that has been revised and altered to take account of new information or developments.

**Income**

The money that is being generated and received by the organisation as a consequence of carrying out its operations or receiving funding and subsidy for those operations.

**Income & Expenditure Account**

The term used in 'Not for Profit' organisations for the financial statement used to report on an organisation's activity across a particular period. It therefore fulfils the same purpose as a *Profit & Loss Account* in a 'For Profit' organisation and shows the interaction between income and expenditure and the resulting *outturn* (ie. a *surplus* or a *deficit*).

**Insolvency**

The situation where an organisation is unable to meet its liabilities. *Technical insolvency* is happening if the organisation's *current liabilities* outweigh its *current assets*. The organisation is '*Legally Insolvent*' if its *total assets* are less than its *total liabilities*.

**Loss**

The term used in 'For Profit' organisations when income for a project or organisation is less than expenditure.

**Net**

A term meaning 'after something has been deducted from the original figure'. Hence '*Net Current Assets*' are the *current assets minus current liabilities*; Net of VAT is a figure after VAT has been deducted, etc.

**Net Current Assets**

The *balance sheet line* showing the difference between *current assets and current liabilities*. It also represents the level of *working capital* the organisation has to hand at the moment to which the balance sheet relates.

**Net Worth**

The overall value of the organisation as depicted on the part of the balance sheet that relates to 'how the money is being used'.

**Outturn**

The final position of a project or organisation's operations within a particular period, as shown on the Profit and Loss Account (or Income and Expenditure Account).

**Profit**

The term used in 'For Profit' organisations when the income of a project or period of the businesses operations is more than the expenditure relating to it. It is thus the same concept as the 'Not for Profit' notion of *surplus*.

**Profit & Loss Account**

The term used in 'For Profit' organisations for the financial statement that shows the interaction between income and expenditure for a particular project or period of the organisation's operations. It thus equates to the '*Income and Expenditure*' account used in 'Not for Profit' organisations.

**Surplus**

The term used in 'Not for Profit' organisations when a project or the overall activities of the organisation within a particular period generates more income than it cost to generate that income. Therefore similar to the 'For Profit' concept of profit, defined as INCOME > (is greater than) EXPENDITURE.

**Turnover**

Short-hand for sales turnover, this is a measure of the financial scale of an organisation's operation. However, it sometimes can be used to denote the overall level of income, or the overall level of expenditure, and care is needed to assess which measure is being quoted when organisation's or people quote their 'turnover'.

**Variance**

The difference or gap between what was planned as part of a budget (the budgeted figure) and what actually happened. Used as a tool for budgetary monitoring and control. (Take care not to confuse this type of variance with a 'statistical variance').

**Working Capital**

The amount of money an organisation has to hand to fund its ongoing operations, purchases and to sustain *credit* transactions offered to customers. Can also be thought of as the money used by an organisation to generate *profits or surpluses*.

# Further Information

You can get further information and advice about arts marketing from a number of local, regional and national organisations.

Contact the following for specific information:

## **South West Arts Marketing**

St Nicholas Church  
St Nicholas Street  
Bristol  
BS1 1UE  
Tel: 0117 927 6936/41 Fax: 0117 927 6936  
email: [info@swam.org.uk](mailto:info@swam.org.uk)

## **South West Arts**

Bradninch Place  
Gandy Street  
Exeter  
EX4 3LS  
Tel: 01392 218188 Fax: 01392 413554 Minicom: 01293 433503  
email: [info@swa.co.uk](mailto:info@swa.co.uk) [www.swa.co.uk](http://www.swa.co.uk)

## **Arts Council of England**

14 Great Peter Street  
London  
SW1P 3NQ  
Tel: 020 9333 0100  
[www.artscouncil.org.uk](http://www.artscouncil.org.uk)

## **Arts Marketing Association**

Boltons Warehouse  
23 Tenison Road  
Cambridge  
CB1 2DG  
Tel: 01223 578078 Fax: 01223 578079  
email: [ama@dial.pipex.com](mailto:ama@dial.pipex.com) [www.ama.co.uk](http://www.ama.co.uk)

## **Date Protection Registrar**

Wycliffe House  
Water Lane  
Wilmslow  
Cheshire  
SK9 5AF  
Tel: 01625 545700 Fax: 01625 5245109  
email: [data@wycliffe.demon.co.uk](mailto:data@wycliffe.demon.co.uk) [www.dataprotection.gov.uk](http://www.dataprotection.gov.uk)