

Words
About
Numbers

A *career* in business does depend on some knowledge of accounting and financial practices. Before you roll your eyes and reluctantly haul out your dusty calculator, try approaching the subject by looking at accounting vocabulary.

Financial terminology often comes in pairs, a positive term partnered with a negative term. This reflects one of the fundamental principles of accounting: Balance. When money is reduced in one place, it's increased in another. Always. And the vocabulary reflects that fundamental principle.

Here are a few of these basic pairs of terms:

Asset: Things of value a business owns (tangible or not)

Liability: Amounts owed by the company to others.

Capital: Money invested by owners. Also buildings, equipment, other fixed assets.

Expense: A type of expenditure which reduces income; not all expenditures are "expense" items. (Complicated rules govern this.)

Credit: When capital increases or assets decrease (when either more money is invested, for example, or if property is sold).

Debit: Conversely, when assets increase or liabilities decrease (if you buy a building, say, or pay off some debt).

(Note: If this seems counter-intuitive to you, you have company.)

Profit: Revenue (money you make) minus expenses.

Loss: When expenses are more than revenue. (Not good.)

Debt: Money owed to pay for company's assets.

Equity: The portion or share of the business an owner owns.

Receivables: Amount owed to the company by its customers.

Payables: Amount the company owes to others (customers, vendors, et al).

Here are some other terms in pairs that are often uttered in the same breath, but they aren't offsets of each other, just language partners:

Time and Material ("T and M") – A type of estimate for work to be performed. However long it takes + however much is needed to do it—very open ended. (Opposite type: Fixed bid—no matter how long it takes, it won't cost you more than a fixed bid.)

Wages and Salaries – Wages are hourly, and employees who are paid wages (usually) earn overtime; salaries

Price/Earnings: The price of a share of stock divided by the profit per share (a ratio purported to reflect the value of a company).

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