

## Accounting & Management Terms

Term	Definition
<b>Asset</b>	Something of value controlled by a business, and is available for use by the business.
<b>Fixed assets</b>	Assets acquired with the intention of using within the business to earn profits
<b>Current assets</b>	Assets that are acquired with the intention of turning them into cash, e.g. stock, debtors, cash.
<b>Liability</b>	A business debt, an obligation to pay money at a future point in time
<b>Long-term liability</b>	Funds provided for the business on a medium to long-term basis by an individual or organisation, e.g. a bank.
<b>Current liability</b>	Amounts owed by the business, payable within one year, e.g. VAT
<b>Net assets</b>	Total assets less total liabilities
<b>Net current assets</b>	This is also called working capital and is the difference between the current assets and the current liabilities. These are the available funds of the business for day-to-day transactions, e.g. paying bills.
<b>Depreciation</b>	A non-cash expense which spreads the cost of the asset over its useful life.
<b>Trade debtors</b>	This is part of current assets and is the sum of money owed to a business by its customers.
<b>Trade creditors</b>	This is part of current liabilities and is the sum of money owed by a business to its suppliers.
<b>Capital costs</b>	This is expenditure incurred on the acquisition of fixed assets for use in the business and not for resale.

<b>Revenue costs</b>	This is expenditure incurred in the manufacture, selling and distribution of goods and the day-to-day administration of the business.
<b>Gross profit</b>	This is the difference between revenue and the direct costs
<b>Net profit</b>	This is the amount of the gross profit earned less all the expenses for the period