18.7: Glossary of financial terms

**Accruals**
Expenditure incurred in an accounting period that has not yet been paid or invoiced. Opposite of pre-payments

**Actual**
Income earned and expenditure incurred over a given time period

**Advance**
Funding provided for future expenditure, which must be either accounted for or be repaid

**Analysis code**
Also known as cost code. A coding structure which specifies clearly and consistently the type of income being received and the type of expenditure being incurred

**Annual accounts**
The financial statements at year end (or each month or quarter) which include an income and expenditure account and balance sheet. The financial statements require external audit

**Asset**
Anything that is of value to its owner. Also see assets register, fixed asset, fixed assets register

**Assets register**
Shortened name for the fixed assets register. A list of the fixed assets of the organization, usually giving details of value, serial numbers, location, purchase date, etc.

**Audit**
An independent check on the accounts of the project or organization. An external audit is done by a person who is independent of the organization, while an internal audit is done by someone from the project’s own organization, but by a person who is independent of the management of that particular project

**Audit trail**
The ability to follow the course of any reported transaction through an organization’s accounting systems and supporting documents
Balance sheet
Summarizes the current financial position by showing assets and liabilities

Bank book
Also known as cash book. A record of all transactions passing through a bank account

Bank reconciliation
The process of agreeing the entries and balance in the cash/bank book to the bank statement entries and balance at a particular date. Acts as a check on the completeness and accuracy of cash/bank book entries

Books of account
These detail all financial transactions and normally consist of, as a minimum, cash/bank book for each bank account, petty cash book, and assets register

Budget
Describes an amount of money that a project/organization expects to receive and spend for a set purpose over a given period of time

Budget monitoring report
A report showing actual performance against the budget for income and expenditure, with explanations provided for any significant variances. Budget monitoring reports are usually prepared at more than one level of detail

Capital expenditure
Expenditure which creates a fixed asset

Cash flow
The difference between cash received and cash spent in a period

Cash book
Also known as bank book. A record of all transactions passing through a bank account

Chart of accounts
A list of all the cost codes that are used to analyse transactions in an organization's accounting system

Cost code
Also known as analysis code. A coding structure that specifies clearly and consistently the type of income being received (for example, grant from the funder) and the type of expenditure being incurred (for example, salary costs, vehicle running costs)

Credit
A payment into the account

Creditor
A third party that has provided goods or services but has not yet been paid

Debit
A payment out of the account

Debtor
A third party that has been invoiced for goods or a service rendered but has not yet paid. Hence, a ‘bad debtor’ is a third party from whom a debt is very unlikely to be recovered

Delivery note
A voucher recording receipt of an item (i.e. that it has been delivered)

Depreciation
An expense recorded in the accounts to reduce the value of a long-term fixed asset to reflect the fact that it will be worth less, the older it gets

Direct costs
A cost that is directly attributable to an activity, service, or capital item (for example, purchase of a computer or a flight)

Expected income and expenditure
Expected income is usually from the funder. Expected expenditures are the anticipated running/recurrent or capital costs. These expected costs will help with forecasting at year-end

**Expenditure**
Money paid out; an amount of money spent

**External audit**
Check on the accounts by a person who is independent of the organization, usually an accountant with special training to be an auditor

**Financial manual (or financial regulations)**
A manual containing a full set of financial policies and procedures. These will support financial management

**Fixed assets**
Items (such as equipment, vehicles, or buildings) that are owned by an organization and are intended for use on a continuing basis in the organization’s activities. In practice, this means for more than one accounting period. The cost is usually apportioned (or depreciated) over the asset’s useful life

**Fixed assets register**
Sometimes shortened to assets register. A list of the fixed assets of the organization, usually giving details of value, serial numbers, location, purchase date, etc.

**Forecasting**
The estimation of the (future) year-end (or next month/quarter) position with regard to income and expenditure

**Imprest**
There are two alternative definitions of this term, so it is best avoided. It is sometimes synonymous with petty cash float, but it is also sometimes used to mean an advance

**Income**
Money paid in

**Income and expenditure accounts**
The income and expenditure account includes all income generated and expenditure incurred over the accounting period and shows the resulting surplus or deficit achieved by the organization for the period. These accounts are usually broken down by cost codes

**Indirect costs**
Also known as overheads. A cost which cannot be directly allocated to a specific activity, service, or capital item but which is more general in nature (for example, to cover the utility, insurance, infrastructure, general administrative, management, and governance costs, etc. for the running of an organization)

**Inflation**
A general increase in prices and consequent decrease in the purchasing power of money

**Internal audit**
An audit that is carried out by the organization that holds the account

**Invoice**
A written request for payment received from a supplier for specific goods or services

**Journal voucher**
A voucher that records an entry in the accounts that relates to a non-monetary transaction, for example, for recording a donation in kind or depreciation or to correct a previous error in the accounts

**Ledger**
A collection of accounts of a similar type such as an advances ledger or a ‘taxes withheld ledger’

**Liability**
An amount owed by your organization to others, including loans, accruals, grants received in advance, and outstanding invoices

**Loan**
Funding provided, which must be repaid

**Overheads**
Also known as indirect costs. A cost which cannot be directly allocated to a specific activity, service, or capital item but which is more general in nature (for example, to cover the utility, insurance, infrastructure, general administrative, management, and governance costs, etc. for the running of an organization)

**Petty cash**
Money kept as cash for making small payments below a certain threshold to save needing to go to the bank to withdraw funds too frequently

**Petty cash book**
The day-to-day listing of petty cash paid in and given out

**Petty cash float**
A sum of money, set at an agreed level, which is topped up by the exact amount spent since it was last reimbursed, to bring it back to its original level. See also petty cash and petty cash book

**Receipt**
A formal record received from a supplier that confirms that a specific amount of money was paid for certain goods or services. Also given to anyone who buys goods or services from the trial

**Reconciliation**
Checking mechanism which verifies the integrity of an accounting system by comparing account balances to an independent source (for example, a bank statement) or by identifying the individual balances which make up a total account balance (for example, comparing the total of individual asset balances to the total of the fixed asset account)

**Storekeeping**
The process for managing stock

**Stores**
A generic term either for stock or for the place where the stock is kept when not in use

**Supporting documents**
Original documents to support income and expenditure (for example, receipts, invoices, bank statements, journal vouchers, purchase orders, delivery notes, approvals, etc.)

**Tender**
An offer made in writing by one party to another to execute specific work, supply certain commodities, etc. at a given cost

**Trial balance**
A listing of the balances on all the accounts that relate to this specific account, with debit balances in one column and credit balances in another. The totals of each column should match

**Variance**
Difference between the budget and actual amount of income and/or expenditure. Variances are often described as ‘adverse’ or ‘favourable’

**Variance analysis**
Part of budget monitoring, looking at the significant variations between the budget and actual income and expenditure,
and seeking to explain why they exist and what can be done to rectify the position

Virement
Transfer of funds from one budget/budget line to another. If a virement exceeds the threshold that has been pre-agreed with the funder, this will require formal approval from the funder, usually in advance

Waybill
A list of goods sent by a carrier, such as a courier, road haulage, railway, or air-freight company, that states the route that the goods will follow

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