

# English Financial Vocabulary

- Finance/Financial – related to money
  - To earn – to gain money
  - Asset – something you own that has value
  - Valuation - the process of determining the present value of an asset
  - To owe – to have an asset and pay for it later
  - To borrow – to have something to be returned later
  - To lend – to give something to be returned later
  - Loan – a quantity of money lent to somebody
  - Financial capital - money used to make your products or to provide your services
  - Venture capital - the financing of startups and emerging companies that have high growth or high growth potential
  - Accountant – somebody who organizes the finances of a company
  - Broker – somebody who arranges financial transactions between a buyer/seller for a commission
  - Income/Earnings – money which you gain
  - Expenses/Expenditure – money which you spend
  - Fixed costs – costs that are constant, independent of the quantity of goods or services produced (e.g. rent, salaries, building taxes)
  - Charges/Fees – money that you must pay for services or administration
  - Interest – 1) money earned on investments, or 2) charges paid on borrowed money
  - To finance – to pay for something over a long period, in installments, with interest
  - Taxes – payments made to the government as a contribution to society
  - Spreadsheet – an electronic numerical administration tool, such as MS Excel
  - Turnover/Revenue - the amount of money taken by a business in a particular period
  - Profit – total revenue after total expenditure
  - Markup - the amount added to the cost price to cover overhead and profit
  - Profitability - the degree to which a business makes profit
  - Loss – negative revenue
  - Gross profit – total profit before tax
  - Net profit – total profit after tax
  - in the red – to describe a negative account balance
  - in the black – to describe a positive account balance
  - Profit margin - the amount by which revenue from sales exceeds costs
  - Contribution margin - the amount of revenue available after variable costs to cover fixed expenses and provide profit to the company
  - Sustainability - the ability to maintain growth or profit at a certain rate/level
  - Depreciation – reduction in value over time
  - Appreciation – increase in value over time
  - Amortization - an accounting technique used to lower the value of a loan or intangible asset during a specific period
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- **EBIT – Earnings Before Interest and Taxes**  
EBIT = NI + IE + TE  
where NI = net income, IE = interest expense, TE = tax expense
  - **EBITDA – Earnings Before Interest, Taxes, Depreciation, and Amortization**  
EBITDA = NP + I + T + D + A  
where NP = net profit, I = interest, T = taxes, D = depreciation, A = amortization

- Accounts Payable – money you owe for products and services already received
- Accounts Receivable – money owed to you for products/services already delivered
- Cash Flow – the total money in and out of your business
- Equity – ownership in a company
- Securities – a security is a tradable financial asset
- Private equity – a type of asset involving securities and debt in companies that are not publicly traded on the stock exchange
- Liability – something you owe for
- Debts – Money that you owe to somebody
- Due date – final date for a payment to be made
- Tax office/IRS – government department responsible for collecting taxes
- To sue – to take legal action against somebody
- Lawsuit – the legal action taken against somebody
- Investment – to invest money is to expect some benefit in the future
- In finance, the benefit from an investment is called a return
- Investment fund – a way of investing money with other investors in order to benefit from the advantages of working as a group, such as reducing risks
- Balance Sheet – a financial statement that keeps track of all income, expenditure, assets and liabilities
- Buy out – the acquisition of a controlling interest in a company
- Sell off – to sell assets, typically at a low price, carried out in order to dispose of them rather than as normal trade
- Stock market – the world finance market which deals with shares in many companies
- Stocks and Shares – portions of companies for buying/selling  
*"Stocks" is a general term, which refers to ownership of shares in one or more companies, while "shares" refers to ownership of shares in one company.*
- Shareholder – an owner of shares in a specific company
- Stock options – a contract which allows the holder the option to buy or sell stocks or at a specified price prior to a specified date
- IPO – initial public offering, selling part of your company on the stock market in exchange for investment capital in your business
- Fine – financial penalty
- OEE – Overall Equipment Effectiveness (= Availability x Performance x Quality)
- Income Statement/Profit & Loss Statement/Financial Statement – revenues and expenses during a specific period (Portuguese: Demonstrativo do Resultado do Exercício/DRE)
- Production costs – a calculation which measures the expenses directly associated with the production process of a product, including raw material and labor (Portuguese: CPV)
- ROE – Return on equity, ROA – Return on assets
- Inflation – the decline of purchasing power of a given currency over time
- Deflation – the decline in prices for goods and services, the purchasing power of currency rises over time
- Reflation – the first phase of economic recovery after a period of contraction
- Recession – a period of declining economic performance across an entire economy that lasts for several months
- Boom – a period of rapid growth within a business, market, industry or economy
- Economic bubble – a rapid escalation in market value followed by a rapid fall in value
- Crash – a rapid fall in the market
- Economy – the financial state of a country
- Economic – something that financially efficient
- Economics – the name of a course of study

- to Economise – a verb which means “to save money” or “to reduce expenditure”
- Budget – a financial plan for the next year
- to come in on budget – to stay within the original plan for spending
- GDP – Gross Domestic Product (Portuguese: PIB – Produto Interno Bruto)

## Leverage

DOL (Degree of Operating Leverage): 
$$DOL = \frac{EBIT + \text{Fixed Costs}}{EBIT}$$

DFL (Degree of Financial Leverage): 
$$DFL = \frac{EBIT}{EBIT - \text{Total Interest Expense}}$$

DCL (Degree of Combined Leverage): 
$$DCL = DOL \times DFL = \frac{EBIT + \text{Fixed Costs}}{EBIT - \text{Total Interest Expense}}$$

Operating Leverage: 
$$\frac{\text{Revenue} - \text{Variable Cost}}{\text{Revenue} - \text{Variable Costs} - \text{Fixed Cost}}$$

Financial Leverage = 
$$\frac{\text{Total Debt}}{\text{Shareholders' Equity}}$$