The A to Z of financial terms

This guide is not intended to be the final word. If you have any suggestions, corrections or improvements, please do contact us. You can contact us at:

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Introduction

Plain English Campaign brings light to technical language which is dark and troubling for many people. This excellent guide will help ordinary people understand financial, tax and legal documents. It will also help and encourage those who write such documents to use language which the intended audience can understand. The guide shows that there is no need for technical language to baffle and befuddle.

We all have much to learn from this guide. And we all have much to thank Plain English Campaign for. Over the years the Campaign has made a valuable difference to the way government and business communicate with people. It has helped people to understand their rights and duties. This guide is a further important milestone.

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We have written this A to Z guide to help you to understand some of the terms you will come across when you buy a house, go into business, take out insurance, invest your money and do all the other things you might have to do in your lifetime. It should help you to unravel the language you may not come across very often in your day−to−day life.

Absolute owner

This is the sole owner of a piece of property, such as a building, vehicle or piece of equipment.

Abstract of title

This is a document which summarises all the **title deeds** to a property such as a house. It is drawn up for the seller when a property is being sold.

Accounting date

Organisations prepare their **annual accounts** covering a period of 12 months. The last day of the period is called the **accounting date**.

Accrual rate

This is the rate by which a pension from an **earnings−related occupational pension scheme** builds up from one year to another. The rate is shown as a fraction or a percentage of the member's final yearly salary.

Accrue

If something is **accruing,** it is building up day by day. If an organisation owes money for goods and services but has not received a bill up to the date it prepares its accounts, it will estimate what it owes. It will then include the debt in its accounts. This estimated **liability** is called an **accrual.**

Accrued income security

This is a **security** (investment) which pays interest at regular intervals. When it is sold, interest may have built up and this interest will be paid to the new owner. Interest built up like this is called **accrued** interest.

Accumulation date

This is the date when income will be **credited** to a **unit trust** which reinvests its income (an **accumulation unit**), instead of paying the income out to the investors.

Accumulation unit

The type of **unit trust** which reinvests the income it earns, instead of paying it out immediately to the investors, is called an **accumulation unit**.

Actuary

An **actuary** is an expert on pension scheme **assets** and **liabilities**, life expectancy and probabilities for insurance purposes (the likelihood of things happening). An **actuary** works out whether enough money is being paid into a pension scheme to pay the pensions when they are due.

Ad valorem

If a **duty** is **ad valorem** the **duty** varies with the price of the **asset** which is being transferred.

Additional voluntary contribution

People in ***occupational pension schemes*** can pay in extra money to increase their **pension benefits**. The extra money they pay in is an **additional voluntary contribution**.

Ademption

This happens when someone is left something in a **will**, but the item no longer exists so cannot be **bequeathed**.

Administration order

If a court appoints someone to look after a company's affairs the court issues an **administration order**. This order gives the person appointed power to run the company.

Administrator

This is someone who:

- has been appointed to manage the affairs of a **bankrupt** business; or
- has been appointed to manage the estate of someone who has died without leaving a **will**.

Advance corporation tax

Until 1999 this tax was paid by companies on the **dividends** they paid. The **advance corporation tax** paid could usually be offset against the **corporation tax** due on the company's profits.

AER

This stands for annual equivalent rate. It is quoted by financial institutions, such as banks, to show how much the interest rate would be if the interest was worked out just once a year. It is intended to make it easier for people to judge how much interest they pay (or receive) when it is being worked out more than once a year. It is also intended to make it easier to compare different financial products.

Affidavit

An **affidavit** is a written statement which is sworn to be true by the person signing it. It is sworn before someone authorised by the court.

Allocation rate

When money is paid into a fund (such as a pension fund) the **allocation rate** is the percentage of the money left which can be invested after the charges have been taken off. For example, if the charges were 2% the **allocation rate** would be 98%.

Allotment

An **allotment** of shares in a company gives the owner (of the **allotment**) an unconditional right to buy the shares at a fixed price.

Alternate director

If a director appoints someone to take his or her place, the substitute is called an **alternate director**.

Annual accounts

These are the summary of an organisation's financial transactions during the year covered by their accounts, and a 'snapshot' of the **assets** and **liabilities** at the end of the year.

Annual general meeting (AGM)

This is the yearly meeting of the members of an organisation which must be held to meet legal conditions. The **annual accounts** are presented for approval at this meeting.

Annual management charge

This is a yearly charge made by the managers of **unit trusts** or **investment trusts**. It is usually a percentage of the value of the funds being managed.

Annual payment

An **annual payment** is an amount paid out every year, such as an **annuity**. It may be split up into smaller amounts and be paid out more frequently than once a year.

Annuity

An **annuity** is an amount paid out every year to someone. The money usually comes from an insurance policy. It can be split up into smaller amounts and paid out more frequently, such as monthly. It is usually paid for the rest of the **beneficiary's** life.

APR

This stands for annual percentage rate. It is intended to give people a more accurate idea of how much they are being charged when they borrow money.

Arbitrage

This is borrowing money to lend out again at a higher rate of interest.

Arrangement fee

This is the fee that banks charge their customers for arranging an **overdraft facility**.

Articles

A company's **articles** set out its rules. The **articles** form part of the **memorandum and articles of association**.

Assets

These are things which are owned such as buildings, vehicles, stock and money in the bank.

Assignment

This is the formal transfer of rights to something. For instance, a bank's customer may assign, to the bank, the right to receive the benefits from a **life insurance policy** to give the bank **security** for a loan.

Attorney

An **attorney** is a person appointed to act for another person (such as when someone is unable to look after their own affairs). A formal document called a **power of attorney** is used to appoint the **attorney**.

Audit

An **audit** is an independent examination of an organisation's records and **financial statements** (report and accounts) to make sure that:

- the **financial statements** show a fair reflection of the financial position at the **accounting date**;
- the income and spending is shown accurately;
- the **financial statements** meet any legal conditions; and
- the **financial statements** are drawn up clearly.

Auditing standards

The organisations which regulate auditors, such as The Institute of Chartered Accountants in England and Wales, set standards which have to be followed during an **audit**. These are called **auditing standards.**

Auditor's report

This is a report and opinion, by an independent person or firm, on an organisation's financial records.

Authorised share capital

This is the highest amount of **share capital** that a company can issue. The amount is set out in the company's **memorandum of association.**

BACS payment

BACS stands for Bankers Automated Clearing System which is a system for sending money electronically between banks. A **BACS payment** happens when money is sent electronically from one bank account to another.

Bail

If someone is given **bail,** they are let out of prison until their court case. Usually someone has to pay, or promise to pay, an amount of money as a condition of **bail** being granted. If the accused person does not appear at the trial, the court can keep the money put up for **bail**.

Bailee

A **bailee** is the person or organisation which looks after valuable items to keep them safe for the owner.

Bailiff

A **bailiff** is an officer of the court. The **bailiff** carries out the court's orders, such as taking goods belonging to a ***debtor*** and selling them to get money to pay the debts. The **bailiff** can also personally deliver (serve) court documents on people.

Bailment

This involves transferring possession of goods from the owner to someone else. The ownership of the goods is not transferred.

Bailor

A **bailor** is the owner of valuable items which are in the possession of another person or organisation for safekeeping.

Balance sheet

A **balance sheet** is a summary of an organisation's financial position. It lists the values, in the books of account on a particular date, of all the organisation's **assets** and **liabilities**. The **assets** and **liabilities** are grouped in categories, to paint a picture of the organisation's strengths and weaknesses.

Balloon payment

Some loan and finance agreements have lower repayments than normal in return for a high final payment. This is called a **balloon payment**.

Bankruptcy

If someone cannot pay their debts when they are due to be paid, a court may issue a **bankruptcy** order against them. This order takes ownership of the ***debtor's*** property away from the **debtor** and allows much of the property to be sold. The money raised is divided between the **creditors**

following strict rules.

Bare trustee

A **bare trustee** holds property ‘on **trust**' for another person until asked to return the property.

Barter

This is a way of paying for things, without using money, by exchanging goods.

Basic−rate tax

Once you have used up all your **tax allowances** and all your lower−rate tax band, you pay **basic−rate tax.** The **basic rate** is 22% at the moment (2000).

Basic state pension

This is the retirement pension the Government pays to people who have paid enough **national insurance contributions**. Some people may receive a reduced **basic state pension** because they have not paid enough contributions.

Bear

A **bear** is someone who expects share prices to fall in the future and sells shares now so that they can buy them back later at a lower price.

Bearer

The **bearer** of a document is the person who has it in their possession.

Beneficial interest

If something really belongs to a person, even though they do not legally own it, they have a **beneficial interest** in it. If, for instance, parents hold an investment on behalf of their child, they are the legal owners but the child is the beneficial owner of the investment.

Beneficiary

This is someone who benefits from a **will**, a **trust** or a **life insurance policy**.

Benefit statement

If employees are in an **occupational pension scheme**, they receive regular **benefit statements** which explain how much **pension benefit** they have earned.

Benefits in kind

If an employee or a director gets benefits (perks) from their work, such as a company car, the benefits are called **benefits in kind**. They may have to pay tax on the value of the **benefit in kind**.

Bequeath

If you **bequeath** something, you leave it to someone in your **will**. You cannot **bequeath** land or **real property** but you can **devise** them.

Bequest

A **bequest** is something given in a **will**, other than land or **real property**.

Bid/offer spread

This is the difference between the **bid price** and the **offer price**.

Bid price

If you are a member of a **unit trust**, this is the price you will get for each unit if you cash them in.

Bill of exchange

A **bill of exchange** is a signed written order, instructing the person it is addressed to to pay an amount of money to someone. A **cheque** is a type of **bill of exchange**.

Bill of lading

This is a document recording the goods a ship carries and the **terms** the goods are carried under.

Bill of sale

A **bill of sale** is a document which transfers ownership of goods from one person to another.

Bona vacantia

This means belonging to nobody.

Bond

A **bond** is a written promise to repay a debt at an agreed time and to pay an agreed rate of interest on that debt.

Bonus issue

If a company offers free shares to its shareholders in proportion to their existing shareholdings, it is called a **bonus issue** (or a **scrip issue**). The company accounts for it in its books by transferring the face value of the shares from the **reserves** to **issued share capital**.

Book debts

Book debts are the debts owed to a business, as recorded in the business's accounting records.

Book value

This is the value of a **fixed asset**, such as a building or machine, as recorded in an organisation's books. It is usually the amount paid for the **asset** less an amount for **depreciation**.

Books of account

These are the books which a business must keep to record its financial transactions accurately.

Bought note

Stockbrokers produce **bought notes** for their clients. The **bought note** shows details of the investments the broker has bought for the client, including the price paid and any commission and duty charged.

Breach of duty

A **breach of duty** is failing to carry out something which is needed by law (or doing something the law forbids).

Breach of trust

A **breach of trust** happens if a **trustee** does something which is against the **trust's** rules or fails to do something needed by the **trust's** rules.

Brokerage

Brokerage is the commission earned by brokers.

Budget

Each year, the **Chancellor of the Exchequer** presents to the UK parliament estimates of the Government's income and spending for the following year. The **budget** also sets out the financial policies the Government will follow.

Bull

A **bull** is someone who buys shares now because they expect the price to rise in the future. After the price has risen they may sell the shares at a profit.

Buying charge

This is the charge made when you first invest in a fund such as an **ISA**, **OEIC** or **unit trust**.

Call

A company makes a **call** when it asks buyers of its new shares to pay some or all of the share price. When this happens the shares are being **called up**.

Called−up share capital

When a company issues shares it asks the buyers to pay for part or all of the share price. The name for this request is a **call** and all the shares **called** are the company's **called−up share capital**. When **calls** have been made for the whole of the share price and the shareholders have paid, the shares become **paid−up share capital**.

Cancelled from inception (CFI)

This phrase refers to a contract for an investment product (such as a personal pension) which has been cancelled within the 'cooling−off' period.

Capital adequacy requirement

Banks and some other financial organisations have to have a certain amount of capital to make sure that there is enough money to support their business. It is called the **capital adequacy requirement**.

Capital allowances

You can sometimes claim **capital allowances** when you buy long−term **assets**, such as machines, to use in your business. You claim part of the cost each year against your profits, before your tax is worked out.

Capital charge

If a **unit trust** manager takes the management charges out of the fund's capital instead of the income it has generated, it is called a **capital charge**.

Capital commitment

If, before the end of its financial year, an organisation has agreed to spend money after the end of its accounting period on buying **fixed assets**, it is called a **capital commitment**. This is shown in the **financial statements**.

Capital expenditure

If you spend money buying or improving **fixed assets**, it is called **capital expenditure**.

Capital gain

You make a **capital gain** if you sell or **dispose of** a long−term **asset** (such as a building) for more than it cost you.

Capital gains tax

This is a tax charged on certain **capital gains**.

Capital receipt

This is money received from selling **fixed assets**, such as buildings or machines.

Capital redemption policy

A **capital redemption policy** is a **life insurance policy** which is linked to an investment such as a **unit trust**.

Capital Transfer Tax (CTT)

This was introduced in the 1970s to tax money and **assets** given away by people during their lifetime, as well as on the estates of people who died. Its name was later changed to **inheritance tax.**

Card

This is the plastic **credit card** or **cash card** which banks give their customers to use.

Cardholder

This is a bank customer who has been given a **credit card** or **cash card**.

Cash card

A **cash card** can be used to draw money from automated teller machines (cash machines).

Cash ISA

You can invest money in a **cash ISA** to earn tax−free interest.

Cash option (or commutation)

If you are in a pension scheme and take this option, you will receive a lump sum straightaway. However, you will then get a lower pension than if you had not had the lump sum.

CAT standard

The Government has created a system to show which ***ISAs*** meet stated standards for charges, access and terms. The **ISAs** which meet these will have reached the **CAT standard**.

Caveat

A **caveat** is a warning.

Caveat emptor

This is a Latin expression which means 'buyer beware'. It is used to warn people buying goods that they may not be able to get compensation if the goods they buy are faulty.

Chancellor of the Exchequer

The **Chancellor of the Exchequer** is a Government minister responsible for raising money for the Government, mainly through taxes, and for controlling money spent by the Government.

CHAPS

This stands for Clearing House Automated Payments System. It is a computer system which allows payments to be made electronically. The payment goes from the paying bank to the receiving bank on the same day.

Charge card

A **charge card** is a type of **credit card**. It is often issued by a store to its customers so that the customers can buy goods from the store on **credit**.

Charge certificate

The Land Registry issues this certificate to the legal mortgagee (the lender) who has lent money on the **security** of registered land. It is proof of the legal mortgagee's right to the **security**.

Chargeable asset

This is an **asset** on which **capital gains tax** may have to be paid, if it is sold or **disposed of**.

Chargeable event

If a **chargeable event** happens, it may create a tax (tax bill).

Charging clause

If this clause is written into a **trust**, trustees can charge the **trust** for their services.

Charity

A **charity** is an organisation set up to help needy causes.

Cheque

A **cheque** is a written order, addressed to a bank, instructing the bank to pay an amount of money to the person or organisation named on the cheque. The bank also has to take the amount from the relevant account.

Cheque card

This type of **card** is issued by a bank to a customer. It guarantees that a **cheque** used with the **card** will be paid if the person issuing the cheque has kept to all the conditions.

Chief rent

A **chief rent** is money charged regularly on land, but it is not rent.

Close company

A **close company** is one controlled by five people or fewer or by its directors.

Collateral

If there is a main ***security*** for a debt, such as a house securing a **mortgage**, any extra **security** supplied is called **collateral**.

Collector of taxes

After the **inspector of taxes** has worked out how much tax is owed, the **collector of taxes** sends tax demands for the money and collects it from the taxpayer.

Commercial paper

Large organisations which are regarded as soundly based financially can borrow money for the short term without giving any **security**. The document which confirms the debt is known as **commercial paper**.

Company pension scheme

This is a pension scheme organised by the employer to provide **pension benefits** for the employees.

Compensation

Compensation is money given to make up for damage caused.

Completion

When there is a **contract** to sell land, the **completion** happens when the land is **conveyed** to the person buying it in return for the receiving the rest of the purchase price.

Compound interest

Compound interest is interest on the money lent, plus interest on any interest already added to the loan.

Condition

A **condition** is an essential part of an agreement. The agreement or **contract** may collapse if a **condition** is broken.

Consumer Credit Act 1974

This act sets out the rules which lenders must follow when they lend amounts of £15,000 or less to consumers.

Contingent annuity

This is an **annuity** which is paid to someone when someone else dies.

Contingent liability

This is money which might be owed if a particular event happens.

Contract

A **contract** is an agreement between two or more people (or groups) to do (or not to do) something. The agreement can be enforced by law.

Contract in

Members of ***occupational pension schemes*** can **contract in** to the **state earnings related pension scheme (SERPS)** by paying full national insurance contributions. When they retire they will be able to draw their **occupational pension** as well as their **state earnings related pension**.

Contract out

If someone **contracts out** of the **state earnings related pension scheme (SERPS)**, they pay less **national insurance**. Instead they pay into a private pension scheme which has to meet certain conditions.

Conversion

This is changing the type of bank account you have.

Conveyance

This is the name of the document which transfers the ownership of land.

Conveyancing

This is the name for carrying out all the actions needed to transfer the ownership of a piece of land.

Corporate body

This is a group of people acting together. The group has a separate legal identity to the individual members' identities. A company is an example of a **corporate body**.

Corporation tax

This is a tax companies pay on their profits.

Council Tax

This is a tax charged locally on private houses. It provides some of the money to run local councils.

Coupon

A **coupon** is a dated piece of paper attached to a ***bond***. The **coupon** has to be surrendered (given back) to get the interest or ***dividend*** on the **bond**.

Covenant

A **covenant** is a contract.

Credit

A **credit** is:

- money received;
- income from selling goods or services; or
- an entry on the right−hand side in a double−entry bookkeeping system.

Credit agreement

This is a written **contract** between a bank or other lender and a customer. The bank allows the customer to borrow money under the **terms** and **conditions** in the agreement.

Credit card

A **credit card** is an identity **card** issued by a lender, such as a bank, to a customer. The **card** allows the customer to buy on **credit**.

Credit limit

This is the most a customer is allowed to borrow on their account.

Credit reference agency

This is an organisation which keeps records of people's **credit agreements** and how well they keep to them. Banks and other organisations use these agencies to check on people before lending them money.

Credit scoring

This is a way of working out the risk of not being repaid if money is lent. Points are awarded for the answers given by the potential borrower to a series of questions. A high score means that the risk of them not being able to repay is low.

Credit transfer

A **credit transfer** involves transferring money from one bank to another.

Creditor

This is someone who is owed money.

Critical illness cover

This is a type of insurance cover which pays out if the policyholder gets a serious illness such as heart disease or cancer.

Cum−dividend

If a share is sold **cum−dividend**, the buyer will receive the ***dividend*** declared just before they bought the share.

Cumulative market capitalisation

This is the total ***market capitalisation*** of all the companies in the sector under review.

Current assets

These are short−term ***assets*** which are constantly changing in value, such as stocks, ***debtors*** and bank balances.

Current liabilities

These are short−term **liabilities** which are due to be paid in less than one year, such as bank overdrafts, money owed to suppliers and employees' ***PAYE***.

Damages

Damages is the name for money awarded by a court as **compensation**.

Data Protection Act 1984

This act sets out the rules which an organisation has to follow when they store personal information about people.

De facto

De facto means in fact or in reality.

Debenture

This is a document issued by a company which acknowledges that some or all of the company's **assets** are **security** for a debt (usually to a bank). It is also a name for certain long−term loans to companies.

Debit

A **debit** is:

- a payment (such as out of a bank account);
- the cost of buying goods or services; or
- an entry on the left−hand side in a double−entry bookkeeping system.

Debit card

A **debit card** is an identity card issued by a bank to a customer which the customer can use to buy goods. The price of the goods is charged to the customer's bank account.

Debt securities

These are debts which can be bought and sold, such as **debentures**.

Debtor

This is someone who owes money.

Default

If someone defaults, they fail to do something which they had agreed to do.

Deferred taxation

This is tax which is expected to be paid at some time in the future but is not due in the short term. Payment has usually been postponed because of tax relief.

Defined contribution pension scheme

In this type of pension scheme the amount of the pension which will be paid out depends on how much has been invested and how well the fund has performed.

Dependant

A **dependant** is someone who depends on someone else for financial support.

Deposit account

This is a bank account in which money is saved. It normally pays interest on the money invested.

Deposit rate

This is the rate of interest customers earn on money they keep in a bank **deposit account**.

Depreciation

Depreciation is the drop in value of an **asset** due to wear and tear, age and obsolescence (going out of date) as recorded in an organisation's financial records.

Depreciation provision

This is money set aside (or provided) in a set of accounts to reflect the drop in value of **fixed assets** caused by wear and tear, age and obsolescence (going out of date).

Determination

Ending an agreement is called **determination**.

Devise

Devise means to leave land in a **will**.

Direct debit

This is a payment out of a bank account which is arranged by the organisation which receives the money.

Directors' report

Every year, company directors have to prepare a report for the company's members, to explain what the company has been doing and their plans for the future.

Discretionary trust

In this type of **trust** the **trustees** can decide who will benefit from the **trust** and how much they will get.

Disposal

This happens when something is sold, transferred or given away.

Distribution

If a company pays money (or other **assets**) to its shareholders, it is making a **distribution**. When a company pays a **dividend** it is making a **distribution**.

Dividend

If a company has profits to share out, it can pay a **dividend**. The shareholders get so much **dividend** for each share they own.

Dividend warrant

When companies pay a **dividend** they send each shareholder a **dividend warrant** which gives information about the **dividend** such as the class of share, the amount of the **dividend** and the **tax credit**.

Domicile

Your **domicile** is the country where your permanent home is, even if you are living somewhere else for now.

Domiciled

This means permanently based in a country.

Drawee

In the case of a **cheque**, this is the bank that will pay the **cheque**. (In other words, the bank which will pay the amount written on the **cheque**.)

Drawer

This is the person or organisation which has drawn a **cheque**.

Duty

Duty is a levy charged by the Government, usually when things are bought, such as shares or buildings.

Earnings−related

If something, such as a pension contribution, goes up in line with increases in earnings, it is described as **earnings−related**.

Easement

An **easement** is a right to use someone else's land, such as a right of way.

Effects not cleared (uncleared effects)

When **cheques** have been paid into a bank account, but the money for them has not yet been received from the banks they are drawn on, they are called **uncleared effects**.

Emoluments

These are your earnings and they include **benefits in kind** (such as company cars).

Employer's liability

Employers have to take out **insurance** cover, called **employer's liability insurance**, to cover claims by employees against the employer for damage caused to them while they are at work.

Endorsement

An **endorsement** is a change to a **contract**, such as an **insurance** policy, so that the original **terms**s are changed.

Endowment policy

If you have this type of **insurance** policy, it will pay out a lump sum on a fixed date in the future, or when you die, if this happens earlier.

Enduring power of attorney

If a person is capable of dealing with their own affairs at present, they can sign an **enduring power of attorney**. It will only come into effect when they are no longer capable of looking after their own affairs. It gives authority to the person appointed to act for the person who signed the **power of attorney**.

Equitable mortgage

When a person takes out this type of **mortgage** they still own the property which is **security** for the

mortgage. They can occupy or live in the property.

Equity

Equity is the value of something (such as a house) less money owing on it.

Eurocheques

These are **cheques** issued by banks in Europe which are used with a eurocheque card.

Excess

This is the amount by which someone has gone over their agreed **overdraft facility**. It is also the first amount of any claim an **insurance** policyholder has agreed to pay.

Exchange control

The Bank of England controls the flow of currencies in and out of the UK. It buys and sells our currency in to try and keep the **exchange rate** with other currencies within certain limits.

Exchange equalisation account

This is an account kept by the Bank of England. It holds the United Kingdom's **foreign exchange** and gold reserves.

Exchange of contract

When land is sold, the person selling (seller) and the buyer both sign identical copies of the **contract** and exchange them. The **contract** is then binding on both of them.

Exchange rate

The **exchange rate** is the value of one currency compared to another. For example, one pound sterling might buy 300 Portuguese escudos.

Exclusion

If an **insurance** policy does not provide cover for certain things, it will list them and call them **exclusions.**

Ex−dividend

If a share is sold **ex−dividend** the seller will receive the **dividend** declared just before it was sold.

Execute

This means to carry out a **contract.**

Executed

If a document is made valid (in the eyes of the law), such as by being signed or sealed, it is **executed**.

Executor

This is a man appointed in a **will** to deal with the estate, according to the wishes set out in that **will**.

Executrix

This is a female appointed in a **will** to deal with the estate, according to the wishes set out in the **will**.

Exempt

If something is **exempt** from tax, no tax can be charged on it unless the law is changed. **Zero−rate** is not the same as **exempt**. The tax on something **zero−rated** is 0% at the moment. However, the Government could change it to another rate, such as 2% or 7%, without having to change the law.

Facility

This is the agreed amount that a bank will allow a customer to borrow up to.

Final dividend

Once a company has drawn up its **annual accounts** the directors can work out and declare, or recommend to the shareholders, the amount of the **final dividend**.

Finance lease

Under this type of lease the organisation leasing the goods is treated as if it owns the goods. It gains the profits that would come with ownership but it also suffers the losses.

Financial statement

This is a statement which includes the **annual accounts**, **directors' report** and so on.

Financial year

This is the year covered by a set of annual **financial statements**.

Fiscal

This word is used to describe finances controlled by the Government.

Fixed asset

A **fixed asset** is one which is intended to be used for several years. Examples are buildings, machinery and vehicles.

Fixed interest rate

This is an interest rate which does not change during the life of a loan.

Floating charge

A **floating charge** is used to provide **security** for money lent to a company. The charge is over the company's liquid **assets**(such as stocks and **debtors**) but it is only triggered by an event such as liquidation.

Floating exchange rates

These are **exchange rates** between currencies which are allowed to go up and down in line with supply and demand. The countries concerned do not attempt to maintain a particular **exchange rate**.

Forbearance

This is when one party to an agreement does not pursue their rights even though another party to the agreement has not kept to the agreement's terms.

Force majeure

This is an event which cannot be controlled and which stops duties, under an agreement, being carried out.

Foreign exchange

This is the term for foreign currencies which are bought and sold. The markets for buying and selling the foreign currencies are called ***foreign exchange*** markets**.**

Franked investment income

This is a company's investment income which has **tax credits** relating to it.

Free−standing AVC

This stands for free−standingadditional voluntary contribution. If someone is in an employer's scheme, which is not contracted out of **SERPS**, they can contract out themselves and pay into a free−standing additional voluntary contribution scheme (FSAVC).

Fully paid share

A share becomes **fully paid** when the company issuing it has received all the money due for the share.

Fund management charge

The managers of funds (such as **investment trusts** and **unit trusts**) make charges which are a percentage of the value of the investments they are managing.

Gift

A **gift** is a transfer of goods or property which is free of charge.

Gilt−edged securities

These are first−class **securities** such as government stocks or local authority stocks.

Gross domestic product

This is the value of goods and services produced by an economy over a particular time period.

Gross interest

This is interest which has not had any **income tax** taken out of it.

Gross profit

Gross profit is the difference between the selling price of goods and what they cost to buy.

Ground rent

A **ground rent** is a rent created by a long−term lease of land.

Guarantee

A **guarantee** is sometimes needed before a bank will lend money to a customer. Another person (the guarantor) pledges to the bank, in writing, that if the customer does not repay the debt then the guarantor will.

Guaranteed minimum pension

This is the lowest level of pension which must be paid to a pensioner, as a condition of **contracting out** of **SERPS**.

Headline rate

This term refers to information which is easy to publish but which may be over−simplified and, as a result, possibly inaccurate.

Hire purchase

This is a form of ***credit*** which allows the purchaser to have possession of the goods shown in the **hire purchase** agreement. Ownership passes to the purchaser when they have paid all the instalments and any fee.

Holding company

This is a company which controls another company, usually by owning more than half of its shares.

Hypothecation

This happens when a person gives a bank authority to sell goods which have been pledged as **security** for a loan.

Incapacity benefit

Incapacity benefit is paid to people who are too ill to work.

Income and expenditure account

This account records an organisation's income and spending and shows the surplus or shortfall.

Income drawdown

Under this system, people with **personal pensions** can take money from their **personal pension** fund instead of using the fund to buy an **annuity**.

Income tax

You pay this tax according to how much income you have under various categories.

Income unit

This is a **unit trust** which pays out the income it earns to the investors, instead of reinvesting it.

Incorporated

If a company is formed which has its own identity separate from the identities of its members, it is **incorporated**.

Incorporation

This means forming a company. Some companies have **limited liability**. In other words, the members of the company are not personally liable for debts which the company runs up, as long as the company is run properly.

Indemnity

If someone promises to compensate someone else for loss or damage, it is called an **indemnity**.

Independent financial adviser (IFA)

This is a qualified person or firm that can give people independent advice on life insurance and pensions and is not tied to a particular company.

Indexation

This means making adjustments to allow for the effects of **inflation**.

Individual Savings Account (ISA)

This is a savings account which was introduced 6 April 1999. The income earned by the money invested will be free of tax. In each **tax year** you can invest in:

- up to three different types of **mini ISAs**; or
- one **maxi ISA**.

Inflation

This is the name for general price increases.

Inheritance tax

This tax is charged on certain gifts, and on the value of the estate left by someone who has died.

Input tax

This is the **value added tax** you pay when you buy goods and services.

Insolvent

If debts cannot be paid when they are due for payment, the person or organisation owing the money is **insolvent**.

Inspector of taxes

This is a person who works for the Inland Revenue, dealing with **tax returns** and tax assessments. Tax inspectors check how much tax the taxpayers owe.

Insurance

When policyholders pay premiums to buy **insurance** cover, the company receiving the premium agrees to pay for the policyholder's loss if a certain event happens.

Intangible assets

Intangible assets cannot be touched. Examples are goodwill and patent rights.

Intellectual property rights

This is the general name for rights such as copyrights and patents.

Interest rate swaps

If you are earning variable interest on money you have deposited at your bank, but you are worried that interest rates will drop in the future, you can change your investment to earn a fixed rate of interest. This will protect you from falling interest rates and it is called an **interest−rate swap.**

Interim dividend

The directors of a company can review the company's performance part way through the financial year and declare a **dividend**. This is called an **interim dividend.**

Intestacy

This happens when someone dies without leaving a **will**. Their estate is divided up between their relatives following the rules set by law.

Investment grade issuers

These are soundly based companies of the highest quality.

Investment trust

This is a company which is quoted on the stock exchange and which invests in other companies.

ISA

This is an individual savings account. The interest earned from an **ISA** is free of tax.

Issued share capital

This is share capital which has been allocated to shareholders who have subscribed for (asked for) shares.

Joint lives

Some **life insurance** policies cover two people's lives and pay out on the first death.

Joint lives last survivor

This sort of **life insurance** is on two people's lives and pays out on the second death.

LAPR

This stands for **life assurance premium relief**. Before 14 March 1984 there was tax relief on **life insurance** premiums paid by policyholders for policies which qualified for tax relief. Policies which started before 14 March 1984 still qualified for tax relief on the premiums paid since 14 March 1984.

Lapse

If a policy becomes void because conditions have not been kept to (such as failing to pay premiums), it has **lapsed**.

Legacy

A legacy is a gift left to someone in a **will**, but it does not include land.

Legal mortgage

When a person takes out this type of **mortgage** the lender owns the property which is mortgaged, until the **mortgage** has been repaid.

Letter of credit

This is a letter one bank sends to a second bank asking them to pay money to a named person. However, certain conditions must be met.

Liabilities

These are debts that a person or an organisation owes.

Licensed conveyancers

These are the only people, other than solicitors, who are allowed to do **conveyancing** and charge a fee for it.

Lien

A **lien** is the right to keep possession of something, owned by someone who owes a debt, until the debt has been settled.

Life assurance (or insurance) policy

This type of policy is a **contract** between the policyholder and the **insurance** company. The **insurance** company will normally pay out if the policyholder dies.

Life assured

This is the person whose life is assured.

Life of another

If you take out assurance cover on another person's life, you have taken it out on the **life of another**.

Limited company

This type of company limits how much its **members** will have to pay if the company is wound up. The **members** of most **limited companies** will only have to pay any money unpaid on their shares. If a company limited by guarantee is wound up, the money its **members** have to pay is limited to the amount shown in the **memorandum**.

Limited liability

If a company is set up with **limited liability** for its **members**, a limit is put on how much the

members would have to pay if the company was wound up.

Liquidation

This is the process of **winding up** a company by paying its **creditors** and distributing any money left among the **members**.

Lower earnings limit

If you earn below this limit, you do not pay **national insurance contributions**.

Mandate

A bank's customer writes instructions on the **mandate** for the bank to follow when operating the customer's account.

Market capitalisation

If you multiply the number of ordinary shares a company has issued by their market price, you get the **market capitalisation** value of the company.

Mature/maturity

If an investment policy comes to the end of its life, it has reached **maturity**.

Maxi ISA

A **maxi ISA** includes investments in stocks and shares and may also allow investments in cash and **life assurance**. An individual can invest up to £7000 in 2000/2001 in a **maxi ISA** and up to £5000 in the following years.

Median

In statistics the **median** is the point where half the items in a series are on one side and half on the other side. For example, a series of numbers might be 1, 3, 5, 7, 11. Five is at the **median** point. **Median** is not the same as average.

Member

The shareholders of a company are its **members**.

Memorandum and articles of association

The **memorandum** gives details of a company's name, objects (purposes) and share capital. It also sets out the limits of the shareholders' liability if the company has to be wound up.

The **articles** set out the **members**' rights and the directors' powers.

Merchant bank

This is a specialist bank which deals in **foreign exchange** and advises large companies on mergers, takeovers, raising capital and so on.

Middle−band earnings

These are earnings between **lower−band earnings** and **upper−band earnings**.

Mini ISA

There are three types of **mini ISA** you can invest in, these being cash, **life assurance** and stocks and shares. The income earned will be free of tax.

Minority interest

If more than 50% of the shares in a company are held by a **holding company,** the remaining shares are the **minority interest**.

MIRAS

This stands for mortgage interest tax relief at source. It was income tax relief on **mortgage** interest paid (up to the limit allowed), and the **mortgage** repayments were reduced to allow for it.

Mortgage

A **mortgage** is using a property as **security** for a debt.

National insurance contributions

Most employees, employers and the self−employed pay **national insurance contributions**. The National Insurance Fund pays out benefits such as Jobseeker's Allowance, retirement pensions and Widow's Benefit.

Negotiable instrument

This is a document which :

- is signed;
- is an instruction to pay an amount of money;
- can have its ownership changed by changing the name it is paid to; or
- can have its ownership changed simply by being delivered to its new owner.

Net book value

This is what an **asset** cost, as recorded in the books of account, less all the **depreciation** taken off the **asset** for age and wear.

Net interest

This is interest which has had **income tax** taken off it.

Net profit

This is the profit left after all overheads have been taken off.

Net relevant earnings

These are the earnings of self−employed people or earnings of people who are not in an employer's pension scheme. **Net relevant earnings** are used to work out the highest amount which can be invested in a pension scheme and qualify for tax relief.

Nominal damages

When token damages are awarded because little damage has been done, they are called **nominal damages**.

Non−profit

A **non−profit** organisation is one which is not intended to make a profit, such as a credit union.

Note

A **note** is a document acknowledging that a debt exists and promising to repay that debt.

Occupational pension scheme

This is a pension scheme organised by an employer to provide **pension benefits** for employees.

Offer price

This is how much people have to pay for each unit when investing in **unit trusts.**

Official receiver

This is a person appointed to act as a **receiver** in **bankruptcies** and company **winding−up** cases. The Department of Trade and Industry appoints **official receivers**.

Open ended investment companies (OEICs)

An **OEIC** is a type of **unit trust** but there is no difference between the **bid price** and the **offer price**. In other words the buying price and the selling price is always the same.

Operating lease

Under this type of lease, ownership of the leased goods stays with the lessor (the company leasing out the goods).

Operating profit (or loss)

The profit (or loss) from a company's principal (main) trading activity.

Opting out

If an employee leaves an **occupational pension scheme**, or chooses not to join one, it is called **opting out**.

Option

Under this sort of **contract**, paying an amount of money gives a right to buy or sell goods at a fixed price by a particular future date.

Orders not to pay

If a bank's customer asks the bank not to pay a **cheque,** the bank may write **'orders not to pay'** on the **cheque** before it is sent back.

Ordinary resolution

If a resolution can be passed at a meeting by more than half of those voting agreeing to the resolution, it is an **ordinary resolution.**

Out of date

If a **cheque** is dated more than six months before the date when it is presented for payment, the bank may refuse to pay it.

Output tax

This is the **value added tax (VAT)** charged by a business registered for VAT, on the goods and services it sells.

Overdraft facility

If a bank agrees to let a customer borrow from the bank by taking out more than the customer has in the bank, an overdraft is created. The bank puts a limit on how much the customer can borrow and this is called the **overdraft facility**.

Paid−up share capital

This is the money paid on shares **allotted** to the **members**.

PAYE

An employer collects **income tax** and **national insurance** are collected from employees' pay and pays it to the Inland Revenue. This system is called Pay As You Earn (**PAYE**).

Payee

This is the person money is being paid to.

Payment countermanded

If a bank's customer asks the bank not to pay a **cheque,** the bank may write '**payment countermanded'** on the **cheque** before it is sent back.

Payment protection insurance

This insurance covers people's finance agreement repayments if they cannot work because of long−term illness or redundancy.

Pension benefits

The pensions and lump sums people receive from their private pensions are called **pension benefits**.

Pension mortgage

This is a **mortgage** which will be repaid out of the lump sum from a pension policy or **retirement annuity**.

Pensionable age

This is the age people have to reach to be entitled to draw their **state pension**.

PEP

This stood for personal equity plan. It was a way of investing in stocks and shares through a Government scheme.

Permanent assurance

This is **life assurance** cover on someone for the rest of their life.

Permanent health insurance

This is a type of **insurance** policy which pays an income if the policyholder suffers from a long−term illness or disability.

Personal allowance

People do not have to pay **income tax** on all their income. Everyone gets a **tax allowance** which allows them to have some income they do not have to pay tax on. However, the amount varies depending on personal circumstances.

Personal guarantee

This is a pledge by a person to a bank to repay a debt if the bank's customer fails to pay it.

Personal pension

Self−employed people or people who are not in an **occupational pension scheme** can take out these pensions.

Personal representative

If someone dies, a **personal representative** is appointed to deal with the dead person's estate. If there is a **will**, the **executors** appointed will be the **personal representatives**. If there is no **will,** the courts will appoint someone.

PIN

This stands for personal identification number. It is a secret number given to an account holder to be used when they put their **credit card** or **cash card** into an automatic teller machine (ATM). If the number they use is correct, they will be allowed access to their account.

Please represent

If a bank has refused to pay a **cheque** because there was not enough money available in the customer's bank account, it may mark the **cheque 'please represent'**. It will do this if there is likely to be enough money to pay the **cheque** in a few days time.

Pledge

If someone **pledges** goods, they let a second person take possession of the goods, but the person pledging the goods still owns them. It is often done as **security** for money owed or to make sure that something is done as promised.

Poll

When a company has a **poll** vote, each shareholder has one vote for each share they own.

Post−dated

If a **cheque** is written with a date in the future, it is '**post−dated'**.

Post−dated (no represent)

If a **cheque** is returned **unpaid** with this written on it, the bank will not honour it if it is represented.

Power of attorney

A **power of attorney** is a document which gives power to the person appointed by it to act for the person who signed the document.

Premium

This is the money the policyholder pays to the **insurance** company in return for the cover set out in the **insurance** policy.

Prepayment (prepaid)

In a set of accounts this means something which has been paid out which covers a period after the end of the accounting period. You may have paid an **insurance** premium for the year to 30 September. If your accounting year ends on 30 June, 3 months of your premium will be prepaid.

Present

When a bank sends a **cheque** it has received to the bank which has to pay it, it is '**presented**' for payment.

Principal activity

This is a company's main trading activity.

Private limited company

A **private limited company** cannot sell its shares to the public and is not listed on the stock exchange.

Pro rata

This means in proportion to. For example, if ten items cost £100, you would expect three items to cost £30, if they were **pro rata**.

Probate

When someone dies, the **executors** of the dead person's estate apply to the court for authority to deal with the estate. This authority is called **probate**.

Profit and loss account

A **profit and loss account** shows the money a business has earned from selling goods and services, less the money spent on goods, services and overheads.

Promissory note

This is a written promise to pay an amount of money to someone at a given time or on demand.

Prospectus

If a **public company** wants to people to invest in it, it prepares a **prospectus** giving details of its past performance and its plans for the future.

Provision

When accounts are being prepared and an amount needs to be set aside for **liabilities** which are known to exist, but which cannot be measured accurately, the amount set aside is called a **provision**.

Proxy

This is a person appointed by a shareholder to go to a meeting of shareholders. The **proxy** can vote at the meeting for the shareholder.

Proxy form

If a **proxy form** is delivered to the company at least 48 hours before the shareholders' meeting, the person who is the **proxy** will be able to vote at that meeting.

Public liability

This is a type of **insurance** cover to protect people and businesses from claims made by members of the public.

Public limited company (plc)

A **public limited company** can offer its shares to the public and is often listed on the stock exchange.

Purchased life annuity

A person can buy this type of **annuity** from an **insurance** company by paying a lump sum.

Put option

This is a right to sell foreign currency at a particular **exchange rate**.

Qualifying policy

This is a policy which can pay its proceeds, free of tax, if the **conditions** have been met.

Quartile

In statistics the **quartile** point is the spot where one quarter of the items in a series is on one side and three quarters are on the other side. For example, if a series of numbers was 1, 3, #, 4, 5, 7, 10, 20 and 30, the **quartile** point (#) would be between 3 and 4.

Quorum

A **quorum** is the lowest number of qualifying people needed for a meeting to be valid.

Rate of risk

If an investment carries more risk it is expected to deliver better returns than a lower−risk investment.

Real property

This is land and rights over land (such as an **easement**).

Receivership

If a company **defaults** in repaying a **secured** debt, the debtor may appoint a receiver to sell the **assets** secured until enough money has been raised to repay the debt. The company is in **receivership** while the receiver is appointed.

Redemption

Redemption means paying off all the money borrowed under an agreement.

Refer to drawer

A bank writes **'refer to drawer'** on a **cheque** which it will not pay. The bank sends it back (returns it) to the branch of the bank with the account the **cheque** was paid into.

Refer to drawer−please represent

If this is written on a **cheque** which is returned, the bank sending the **cheque** back expects that there may be enough money available in the bank account to pay the **cheque** when it is presented again.

Related party

This is someone, or an organisation, which controls or significantly influences another organisation.

Remedy

This is using the law to get compensation for damage done or for rights infringed. A **remedy** is also using the law to prevent something from happening.

Rent

Rent is the term used to describe a payment for using land, buildings or equipment.

Rentcharge

This is the name for a charge to use land such as a **chief rent** but it does not include tenancies and leases.

Representations

These are facts borrowers give to lenders about themselves when they apply to borrow money.

Reserves

These are amounts set aside in one year's accounts, which can be spent in later years. Some types of **reserve** can only be spent if certain conditions are met.

Retained profits (or losses)

Retained profits are those profits earned by a business which have not yet been spent.

Retirement annuity

Retirement annuities are still in existence though none have been started since June 1988. They were taken out by self−employed people or employed people who were not in an employer's pension scheme.

Reversion

If the owner of a piece of freehold property leases it to someone else for a period, the freehold property is in **reversion** during the period of the lease. In other words, **reversion** is the owner's right to retake possession when the lease ends.

Rights issue

This is an issue of extra shares by a company. Existing shareholders can buy extra new shares in proportion to the shares they already hold. The shares are usually on sale at a price lower than the stock−market price to encourage shareholders to buy. The shareholders can sell the rights if they do not wish to use them.

Schedule A

Schedule A rules were used to work out **income tax** on certain rents and other income from land.

Schedule D

Self−employed people's **income tax** is worked out using the tax rules in **Schedule D.**

Schedule E

Employees' and directors' **income tax** is worked out using the rules in **Schedule E**.

Scrip dividend

Sometimes companies will offer to pay **dividends** in shares instead of cash if shareholders want this.

Scrip issue

If a company offers free shares to its shareholders in proportion to their existing shareholdings, it is called a **scrip issue** (or a **bonus issue**).

Security

This is something of value which is pledged to a bank by a borrower. If the borrower fails to repay the debt, the bank can sell the **security** and repay the debt out of the proceeds of the sale.

Securities

This term is used for stocks, shares, **debentures** and so on where there is a right to receive interest or **dividends** from the investment.

Self−assessment

This is a system for taxpayers to work out the tax they have to pay. However, if they send their tax returns to the Inland Revenue in good time, the Inland Revenue will do the calculations.

Share capital

Share capital is the money invested directly in a company by its **members** (shareholders).

Share certificate

This document certifies who owns shares in a company. It gives the type and number of shares owned by the shareholder and lists the serial numbers of the shares.

Share premium account

If shares are issued for more than their face value, the extra amount over face value is called a share premium. The total of all the share premiums is credited to a **share premium account** in the company's books.

Show of hands

If voting is on this basis, each person who can vote has one vote only.

Sickness Benefit

Sickness Benefit has now been replaced by **Incapacity Benefit**.

Sine die

If a meeting is adjourned **sine die,** no date has been set for it to be continued.

Sold note

Stockbrokers produce **sold notes** for their clients. The **sold note** shows details of the investments sold for the client, including the sale price and any charges taken.

Sole trader

A **sole trader** is someone who is in business on their own. They have no business partners and they do not trade through a company.

Sort code

Each bank branch is given an identification number which is called a **sort code**. The **sort code** is used on **cheques** and other bank documents to identify the bank branch.

Spot rate

This is the **exchange rate** for **foreign−exchange** transactions which are being done straightaway.

Stakeholder pension

The Government has announced plans for the **stakeholder pension** which is a type of personal pension. There will be a rebate which will reduce the employee's national insurance contributions and the rebate will be invested in the **stakeholder pension**.

Stamp duty

Stamp duty is a tax on the transfer documents for certain types of transaction. Examples are the buying of shares, patent rights and properties.

Standard & Poors

This organisation rates companies according to their financial strength.

Standing order

This is an instruction by a bank's customer to the bank, to pay an amount of money regularly to another bank account.

State earnings related pension scheme (SERPS)

People working for an employer can earn this extra **state pension**. They pay extra **national insurance** as their earnings rise above a lower limit and some of this extra **national insurance** is for the increased pension.

State pension scheme

The Government pays a basic **state pension** to everyone who has paid the minimum **national insurance contributions**.

Statistical sampling

This involves the randomly choosing of items to be tested, and then using probabilities (the likelihood of things happening) to decide the acceptable rate of error for the test to be treated as successful.

Statutory accounts

Statutory accounts are company accounts which have been filed with the Registrar of Companies.

Statutory audit

By law, certain companies have to have their accounts audited by suitably qualified accountants. This is called a **statutory audit**.

Statutory books

By law, companies must keep books of account to show and explain all their transactions. These are called **statutory books**.

Statutory Sick Pay

Employers have to pay this to employees who are off work because of sickness. The Government sets **Statutory Sick Pay** rates.

Stockbroker

A **stockbroker** buys and sells stocks and shares for clients.

Stock control

Stock control is a system for keeping adequate control of stock levels and for preventing stock losses.

Stock exchange

A **stock exchange** is a market for stocks and shares. Organisations can raise capital by selling **securities** through a **stock exchange**.

Stock in trade

This is the term for goods bought but which have not yet been sold.

Sub judice

If something is **sub judice,** it is being dealt with by the court and cannot be discussed outside the court.

Subscribers

Subscribers are the people who set up a limited company.

Subsidiary

A **subsidiary** is a company controlled by another company. The control is normally a result of having more than 50% of the voting rights.

Superannuation

This is a regular contribution to a pension scheme by an employee.

Surcharge

This is an extra charge banks make if a customer does not keep to their agreement with the bank.

It is also a penalty charged if tax is not paid on time.

Surety

A **surety** is someone who takes responsibility for someone else's debts or promises, and guarantees that they will be paid or undertaken.

Surrender value

If a policyholder cancels a life policy early, the **insurance** company will pay the policyholder an amount of money called the **surrender value**.

SWIFT payment

SWIFT stands for Society for Worldwide Interbank Financial Telecommunications and it is an international system for paying by **credit transfer**. A **SWIFT payment** is a payment from one bank account to another using the **SWIFT** system.

Tangible assets

If an **asset** can be physically touched, it is a **tangible asset.**

Tax allowance

Taxpayers are given **tax allowances** to reduce the amount of tax they have to pay. The allowances are taken off their income before the tax is worked out.

Tax avoidance

Reducing tax bills by using legal means is called **tax avoidance**.

Tax code

The Inland Revenue work out the allowances for each taxpayer paying **PAYE**. The total allowances are converted into a code number which is used with tax tables to work out how much tax should be taken from the income.

Tax credit

When companies pay **dividends** they send each shareholder a **dividend warrant**. The warrant shows the amount of the **dividend** and also a figure for a **tax credit**. For **basic−rate tax** payers the **tax credit** covers the **income tax** due on the **dividend**.

Tax evasion

Breaking the law to reduce tax bills (such as by concealing income) is called **tax evasion**.

Tax month

The **tax year** is split up into 12 monthly periods. The first **tax month** starts on 6 April and finishes on 5 May and the other 11 months start on the 6th and finish on the 5th of the following month.

Tax point

The **tax point** is the date when **value added tax** arises on goods or services supplied (or made available) to a customer. The **tax point** should be displayed on invoices.

Tax return

The Inland Revenue sends these forms out to taxpayers each year. Income and gains for the year are declared on the form and certain allowances are claimed. There are fines and penalties charged by the Inland Revenue if the returns are sent in late, incomplete or incorrect.

Tax voucher

This is the same as a **dividend warrant.**

Tax week

The **tax year** is split up into 52 **tax weeks**. The first **tax week** starts on 6 April and finishes on 12 April and the other 51 weeks follow in order.

Tax year

The **tax year** starts on 6 April and finishes on 5 April in the following year.

Taxable supply

This is a term for supplying of goods and services on which **value added tax** can be charged. This applies even if the tax rate is 0% at present, because it can be increased if the Government chooses to.

Teeming and lading

This is a term used to describe attempts to hide the loss of cash received from one customer by using cash from another customer or customers to replace it. It also involves using other customers' money in the same way, and so on.

Tender

If an organisation asks firms to send in tenders to supply something, they are asking for firm written offers to do the work to an agreed standard and at a stated price.

Term

A **term** is any of the clauses which form part of a contract.

Term assurance (or temporary assurance)

This is **life insurance** cover for a fixed period of time.

Term deposit

This is money deposited with a bank for a fixed period of time.

Term loan

Banks offer these loans to companies for a fixed time period.

Terminal bonus

A **terminal bonus** is one the **insurance** company can decide to pay when a policy **matures** or when the policyholder dies. It is paid out of the profits on the **insurance** company's investments.

TESSA

This stands for Tax Exempt Special Savings Account. It is a special savings account with banks, building societies and so on and the interest is free of tax if you keep to any rules about withdrawals.

Title deeds

These are the documents which prove who owns a property and under what terms.

Tracker fund

Tracker funds invest in the same shares and in the same proportions as those reflected in the financial index they are tracking (such as the FTSE 100 index).

Trade creditors

These are the organisations which are owed money for goods and services supplied.

Trade debtors

These are the organisations which owe money for goods and services supplied.

Trading account

A **trading account** is the part of a **profit and loss account** which records money due from selling goods, less what those goods cost. This gives the **gross profit** on those goods.

Trading profit

The **trading profit** is the profit from selling goods and services before taking off overheads. The **trading profit** less the overheads gives the **net profit.**

Transferable securities

These are **securities**, such as **debentures**, which can have their ownership changed.

Transferee

This is the person something is transferred to.

Transferor

This is the person who transfers something to someone else.

Treasury bill

This is an unconditional written promise by the Treasury to repay money it has borrowed for the short term, to pay for the Government's spending.

True and fair view

When auditors examine an organisation's accounting records and **annual accounts** they have to decide whether the accounts present a fair and honest picture of the organisation's trading and finances. The **audit report** has to say whether the accounts show a **true and fair view.**

Trust

A **trust** is a financial arrangement under which property is held by named people for someone else.

Trust deed

This is a legal document which is used to:

- ♦ create a **trust**;
  ♦ change a **trust**; or
  ♦ control a **trust**.

Trust corporation

A company which acts as a **trustee** and holds the **trust's assets** is called a **trust corporation**.

Turnover

A business's **turnover** is the total value of its sales over a particular period.

Uncleared cheque

This is a **cheque** which has been paid into an account, but the payment for it has not yet been collected from the bank the **cheque** which will pay the **cheque**.

Underwriting

When the public is invited to subscribe for (ask for) shares in a company the directors may ask an

investment firm, such as a bank, to agree to buy any unsold shares. This is called **underwriting** the issue of shares.

Unincorporated body

This is a group of people acting together but who do not form a separate legal body (such as a company).

Unit−linked

Some investment policies, such as **endowment policies,** are used to invest in **unit trusts**. These are called **unit−linked life assurance policies**.

Unit trust

People can invest in **unit trusts** by buying units. The managers of the **trust** use the money people invest to buy investments. The fund manager values the fund's **assets** from time to time and puts a new price on the fund's units.

Unitised

This term describes investors joining together to buy units in a fund such as a **unit trust**.

Unitised with profit

People with this type of **with−profits policy** have a share of the **unit trust** fund their policy is invested in.

Unlimited company

This type of company does not limit what its **members** would have to pay towards the company's debts, if the company was **wound up**.

Unpaid item

This is an item such as a **cheque**, **standing order** or **direct debit** which a bank refuses to pay.

Unpresented cheque

This is a **cheque** which has been sent, but which has not yet appeared on the bank account which will pay it.

Unsanctioned overdraft

This is an **overdraft** which has been run up without the bank's permission.

Upper earnings limit

This is the highest amount of earnings on which employees pay **national insurance**.

Valuation point

This is the date and time when the fund manager revalues the investments in a fund, such as a **unit trust.**

Value added tax (VAT)

Most traders in the UK are registered for **VAT**. This means that registered traders have to charge their customers **value added tax** on any goods and services they supply which are not **exempt**. The **VAT** collected (less **VAT** they have been charged) is later paid to H M Customs and Excise.

Waiver of premium

If a member of a **scheme** with this benefit becomes seriously ill or disabled and cannot pay their premiums, the **insurance** company will pay the premium for them. This is called **waiver of premium**.

Warrant

A **warrant** is a certificate which gives the person holding it the right to buy shares at a given price.

Whole−life assurance

This is **life assurance** cover which lasts the lifetime of the person whose life is assured.

Will

A **will** is a legal document which people use to **bequeath** (leave as a **gift**) money and property when they die.

Winding up

Winding up a company is done by paying the company's **creditors,** and then distributing any money left (if any) among the **members**.

With−profits policy

A policyholder with this type of **life insurance policy** shares in the surpluses of the **insurance** company's **life insurance** and pensions business.

Zero−rated

This means:

- that the rate of interest is 0%; or
- that the **VAT** rate is 0%. (But it could be raised from this level, if the Government wished to, without fresh legislation being needed.)

Zero−rate does not mean the same as **exempt**. If something is **exempt** from tax, no tax can be charged on it, unless the law is changed.