BASIC FINANCIAL & ACCOUNTING TERMINOLOGY

Orientation Reference for Business Operations and Communication

Purpose of this Document

This document sets out the financial, accounting, operational and business-communication terms commonly used in the course of our work. It is intended to familiarise you with the working vocabulary of the organisation and to serve as a ready reference during your induction and thereafter.

The definitions are framed in simple terms, and the illustrations are deliberately simplified. They are provided for orientation only; the treatment of any item in a given case may differ depending on the applicable accounting standards, statutory requirements, contractual terms and the presentation followed.

Part 1: Income and Profit Terms

S.No.	Term	Meaning	Illustration
1	**Revenue**	Total income earned from the sale of goods or the rendering of services during a period, before deduction of expenses.	Sales of ₹1,00,000 result in revenue of ₹1,00,000.
2	**Sales**	Value of goods sold or services rendered during a particular period.	A franchise outlet sells products worth ₹1,00,000 in a month.
3	**Gross Revenue**	Revenue before specified deductions such as returns and discounts. The precise meaning depends on context and presentation.	Sales of ₹1,00,000 before sales returns and discounts.
4	**Net Revenue**	Gross revenue less applicable sales returns, allowances and discounts.	Gross sales of ₹1,00,000 less returns and discounts of ₹5,000 = ₹95,000.
5	**Total Income**	Aggregate of revenue and other income for an accounting period, as applicable, before deduction of expenses.	Sales of ₹1,00,000 plus interest income of ₹2,000 = ₹1,02,000.
6	**Cost of Goods Sold (COGS)**	Direct cost attributable to the goods sold during a period.	Products sold for ₹1,00,000 cost the business ₹60,000.
7	**Gross Profit**	Net sales less cost of goods sold.	Net sales of ₹1,00,000 − COGS of ₹60,000 = ₹40,000.
8	**Gross Profit Margin**	Gross profit expressed as a percentage of net sales.	₹40,000 ÷ ₹1,00,000 × 100 = 40%.
9	**Operating Expenses**	Expenses incurred in running the business, such as salaries, rent, advertising and office expenses.	Monthly rent of ₹10,000 and salaries of ₹15,000.
10	**Operating Profit**	Profit from core business operations, being gross profit less operating expenses.	₹40,000 − ₹20,000 = ₹20,000, assuming no other operating adjustments.

S.No.	Term	Meaning	Illustration
11	**EBIT**	Earnings Before Interest and Tax: profit before deduction of finance costs and income tax.	EBIT of ₹20,000 means profit of ₹20,000 before interest and income tax, subject to the presentation adopted.
12	**EBITDA**	Earnings Before Interest, Tax, Depreciation and Amortisation: a measure of operating performance before these items.	EBITDA of ₹25,000 indicates earnings of ₹25,000 before the specified items, subject to the method of calculation.
13	**Net Profit**	Profit remaining after accounting for all applicable expenses, interest, depreciation, taxes and other income or expenses.	Revenue of ₹1,00,000 less total expenses of ₹85,000 = ₹15,000.
14	**Net Profit Margin**	Net profit expressed as a percentage of net revenue.	₹15,000 ÷ ₹1,00,000 × 100 = 15%.
15	**Net Loss**	Excess of total expenses and losses over total income for the relevant period.	Income of ₹1,00,000 and expenses of ₹1,10,000 result in a net loss of ₹10,000.
16	**Markup**	Amount added to the cost of a product to arrive at its selling price, expressed as a percentage of cost.	A product costing ₹100 is sold for ₹150: markup = 50%.
17	**Profit Margin**	Profit expressed as a percentage of the relevant revenue or sales figure. The specific margin (gross, operating or net) should always be identified.	Profit of ₹20 on sales of ₹100 = 20% margin.

Part 2: Expenses and Cost-Related Terms

S.No.	Term	Meaning	Illustration
18	**Fixed Cost**	A cost that generally remains unchanged, within a given period and relevant range of activity, irrespective of sales volume.	Monthly office rent of ₹15,000.
19	**Variable Cost**	A cost that varies with production, sales or business activity.	Packaging costs rise as more products are sold.
20	**Direct Cost**	A cost directly attributable to a particular product, service or activity.	Raw materials used to manufacture a product.
21	**Indirect Cost**	A cost that cannot be attributed directly to a particular product or service without an allocation method.	General office administration expenses.
22	**Operating Cost**	Cost of conducting regular business operations.	Salaries, electricity, rent and other routine expenses.
23	**Capital Expenditure (CAPEX)**	Expenditure incurred on acquiring or improving long-term assets.	Purchase of machinery or office equipment.
24	**Operating Expenditure (OPEX)**	Expenditure incurred in the day-to-day operation of a business.	Rent, salaries, utilities and routine advertising.

S.No.	Term	Meaning	Illustration
25	**Depreciation**	Systematic allocation of the depreciable amount of a tangible asset over its useful life.	Allocation of the cost of office equipment over its useful life.
26	**Amortisation**	Systematic allocation of the depreciable amount of an intangible asset over its useful life.	Amortisation of a qualifying software licence.
27	**Interest Expense**	Cost of borrowing money.	Interest paid on a business loan.
28	**Tax Expense**	Income tax expense recognised for the relevant accounting period.	Income tax expense recorded in the financial statements.
29	**Discount**	A reduction in the listed or original price of a product or service.	A ₹1,000 product sold for ₹900 after a ₹100 discount.
30	**Commission**	Compensation paid for facilitating a sale, transaction or business relationship.	A sales executive receives an agreed commission on each successful franchise sale.
31	**Royalty Expense**	Payment made for the use of specified intellectual property, brand rights or other rights under an agreement.	A franchisee pays an agreed royalty to the franchisor.

Part 3: Cash Flow and Investment Terms

S.No.	Term	Meaning	Illustration
32	**Cash Inflow**	Money received by a business.	A customer pays ₹50,000.
33	**Cash Outflow**	Money paid out by a business.	The business pays ₹20,000 in salaries.
34	**Cash Flow**	Movement of cash into and out of a business during a period.	Inflows of ₹1,00,000 less outflows of ₹80,000 = net cash flow of ₹20,000.
35	**Working Capital**	Current assets less current liabilities.	₹5,00,000 – ₹3,00,000 = ₹2,00,000.
36	**Investment**	Money or other resources committed to a business in expectation of future economic benefit.	A franchisee invests ₹5,00,000 to establish an outlet.
37	**Initial Investment**	Amount required at the outset to establish or acquire a business.	Franchise fee, equipment, interiors, deposits and opening inventory.
38	**Return on Investment (ROI)**	Measure of return relative to the investment made.	A return of ₹50,000 on ₹5,00,000 = 10%, where ₹50,000 is the return measure selected.
39	**Break-Even Point**	Level of sales at which total revenue equals total costs, resulting in neither profit nor loss.	Monthly sales of ₹1,00,000 are required to cover all costs under the assumed cost structure.

S.No.	Term	Meaning	Illustration
40	**Payback Period**	Time required to recover the initial investment from the relevant cash inflows or returns.	₹6,00,000 recovered at ₹50,000 per month = 12 months, assuming constant monthly recovery.
41	**Accounts Receivable**	Amounts owed to the business by customers or other parties.	A customer owes the business ₹20,000.
42	**Accounts Payable**	Amounts owed by the business to suppliers or other creditors.	The business owes a supplier ₹15,000.
43	**Inventory**	Goods held for sale, or materials held for use in production.	Products stocked by a franchise outlet for sale to customers.
44	**Turnover**	In ordinary business usage, total sales generated during a period. The precise meaning depends on context.	Annual sales of ₹12,00,000.
45	**Budget**	Estimate of expected income, expenditure and financial requirements for a future period.	Monthly operating budget of ₹2,00,000.
46	**Forecast**	Updated estimate of expected financial or operational results based on information currently available.	Forecast monthly sales of ₹3,00,000.

Part 4: Operations and Management Terms

S.No.	Term	Meaning
47	**Onboarding**	Introducing a new franchisee to the business systems, policies, procedures and operational requirements.
48	**Training and Induction**	Providing the knowledge and practical instruction required to operate the franchise.
49	**Standard Operating Procedure (SOP)**	Documented instructions describing how a business activity is to be performed.
50	**Operations Manual**	Document setting out the operating standards, procedures and responsibilities applicable to franchise operations.
51	**Brand Guidelines**	Rules governing the use of the brand name, logo, design, communication and other brand assets.
52	**Quality Control**	Processes used to maintain specified product, service or operational standards.
53	**Performance Monitoring**	Review of outlet performance against defined operational and financial indicators.
54	**Franchise Audit**	Review of compliance with applicable contractual, operational, financial or brand standards.
55	**Compliance Checklist**	List of requirements to be verified in order to assess compliance with applicable standards and obligations.
56	**Key Performance Indicator (KPI)**	Measurable indicator used to assess performance against a business objective.

S.No.	Term	Meaning
57	**Daily Work Report (DWR)**	Report recording work completed, progress made, pending tasks and relevant operational issues.
58	**Escalation Matrix**	Framework identifying the person or level of authority to whom a particular issue is to be referred.
59	**Grievance Management**	Process of receiving, reviewing and resolving complaints or disputes.
60	**Franchise Support**	Assistance provided by the franchisor, as agreed, for training, marketing, operations or other activities.
61	**Renewal**	Extension or continuation of a franchise arrangement in accordance with the agreement.
62	**Termination**	Ending of the franchise relationship under applicable contractual or legal provisions.
63	**Exit Process**	Procedure for closing or ending a franchise relationship, including applicable settlement, handover and brand-use requirements.
64	**Business Continuity**	Measures designed to maintain or restore essential business operations during a disruption.
65	**Corrective Action**	Measures taken to address an identified deficiency or non-compliance.
66	**Service Standards**	Defined requirements relating to the quality, timeliness or manner of service delivery.

Part 5: Common Business Communication Terms

S.No.	Term	Meaning
67	**B2B**	Business-to-Business: transactions between businesses.
68	**B2C**	Business-to-Consumer: transactions between a business and individual consumers.
69	**POC**	Point of Contact: the designated person responsible for communication on a matter.
70	**MOM**	Minutes of Meeting: record of the discussions, decisions and action items of a meeting.
71	**TAT**	Turnaround Time: time expected or allowed to complete a task or process.
72	**SLA**	Service Level Agreement: agreement specifying defined service standards and performance expectations.
73	**ETA**	Estimated Time of Arrival or, in a project context, estimated time of completion.
74	**EOD**	End of Day.
75	**WIP**	Work in Progress.
76	**Action Item**	A specific task arising from a meeting or business discussion.
77	**Deliverable**	A defined output or result that is required to be provided.
78	**Milestone**	A significant stage or achievement in a project or business plan.

S.No.	Term	Meaning
79	**Escalation**	Referral of an issue to a higher level of authority for action or resolution.
80	**Approval Matrix**	Framework specifying who has authority to approve particular decisions or transactions.
81	**Delegation of Authority**	Assignment of defined decision-making powers to specified individuals or positions.
82	**Stakeholder**	A person or organisation that has an interest in, or is affected by, a business activity.
83	**Business Development**	Activities undertaken to identify opportunities and build commercial relationships.
84	**Coordination**	Organising activities and communication between people or departments.
85	**Reporting Structure**	Hierarchy defining reporting relationships and accountability within an organisation.
86	**Accountability**	Responsibility for decisions, assigned duties and the results achieved.

Note: *This document is a general orientation aid and does not constitute accounting, tax or legal advice. Please refer to your reporting manager for any clarification on the terms set out above.*