



Common Accounting Terms Everyone Should Know

Understanding Annual Accounts may seem complex, but it doesn't have to be! Gaining a grasp of general accounting knowledge is valuable for everyone. In the following guide, we demystify key accounting definitions and terms, making it easier for you to navigate this important financial aspect.

Accounting Period Time period for which financial statements are prepared (e.g. month, quarter, year).

Accumulated Depreciation Total **depreciation** of a **non-current (fixed) asset**, deducted from original cost to give **net book value**.

Acid Test The ratio of liquid assets to current liabilities.

Administrative Expenses Costs of managing and running a business.

Amortisation Process similar to **depreciation**, usually applied to intangible fixed assets.

Assets Rights or other access to future economic benefits controlled by an entity as a result of past transactions or events.

Bad Debt It is known that a credit customer (**debtor**) is unable to pay the amount due.

Balance Sheet A statement of the financial position of an entity showing assets, liabilities and ownership interest.

Bank Facility An arrangement with a bank to borrow money as required up to an agreed limit.

Business Cycle (Seasonal) Period (usually 12 months) during which the peaks and troughs of activity of a business form a pattern which is repeated on a regular basis.

Capital An amount of finance provided to enable a business to acquire assets and sustain its operations.

Capital Expenditure Spending on **non-current (fixed)** assets of a business.

Cash Cash on hand (such as money held in a cash box or a safe) and deposits in a bank that may be withdrawn on demand.

Cash Equivalents Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash Flow Projections Statements of cash expected to flow into the business and cash expected to flow out over a particular period.

Cash Flow Statement Provides information about changes in financial position.

Cost of Goods Sold Materials, labour and other costs directly related to the goods or services provided.

Credit Purchase A business **entity** takes delivery of goods or services and is allowed to make payment at a later date.

Credit Sale A business **entity** sells goods or services and allows the customer to make payment at a later date.

Creditor A person or organisation to whom money is owed by the entity.

Current Liability A liability which satisfies any of the following criteria: (a) it is expected to be settled in the entity's normal operating cycle; (b) it is held primarily for the purpose of being traded; (c) it is due to be settled within 12 months after the balance sheet date.

Debenture A written acknowledgement of a debt – a name used for loan financing taken up by a company.

Debtor A person or organisation that owes money to the entity.

Depreciation The systematic allocation of the **depreciable amount** of an asset over its useful life. The depreciable amount is cost less **residual value**.

Dividend/ Drawings Amount paid to a shareholder, usually in the form of cash, as a reward for investment in the company. The amount of dividend paid is proportionate to the number of shares held.

Earnings Per Share calculated as **earnings for ordinary shareholders** divided by the number of shares which have been issued by the company.

Equity A description applied to the **ordinary share** capital of an entity.
expense An expense is caused by a transaction or event arising during the ordinary activities of the business which causes a decrease in the ownership interest.

Financial Gearing Ratio of loan finance to equity capital and reserves.

Fixed Asset An asset that is held by an enterprise for use in the production or supply of goods or services, for rental to others, or for administrative purposes on a continuing basis in the reporting entity's activities.

Fixed Cost One which is not affected by changes in the level of output over a defined period of time.

Floating Charge Security taken by lender which floats over all the assets and crystallises over particular assets if the security is required.

Forward Exchange Contract An agreement to buy foreign currency at a fixed future date and at an agreed price.

Gearing (financial) The ratio of debt capital to ownership claim.

Gross Margin Sales minus cost of sales before deducting administration and selling expenses (another name for **gross profit**). Usually applied when discussing a particular line of activity.

Gross Margin Ratio Gross profit as a percentage of sales.

Gross Profit Sales minus cost of sales before deducting administration and selling expenses (see also **gross margin**).

Intangible Without shape or form, cannot be touched.

Interest (on loans) The percentage return on **capital** required by the lender (usually expressed as a percentage per annum).

Stock Stocks of goods held for manufacture or for resale.

leasing Acquiring the use of an **asset** through a rental agreement.

leverage Alternative term for **gearing**, commonly used in the USA.

liabilities Obligations of an entity to transfer economic benefits as a result of past transactions or events.

liquidity The extent to which a business has access to cash or items which can readily be exchanged for cash.

loan Covenants Agreement made by the company with a lender of long-term finance, protecting the loan by imposing conditions on the company, usually to restrict further borrowing.

Net Assets Assets minus **liabilities** (equals **ownership interest**).

Net Book Value Cost of **non-current (fixed) asset** minus **accumulated depreciation**.

Net Profit Sales minus cost of sales minus all administrative and selling costs.

Non-Current Assets Any asset that does not meet the definition of a current asset. Also described as **fixed assets**.

Non-Current Liabilities Any liability that does not meet the definition of a **current liability**. Also described as **long-term liabilities**.

Operating Activities The principal revenue-producing activities of the entity and other activities that are not investing or financing activities.

Premium An amount paid in addition, or extra.
retained profit Profit of the period remaining after **dividend** has been deducted.



Return on Capital Employed Operating profit before deducting interest and taxation, divided by share capital plus reserves plus long-term loans.

Return on Total Assets Operating profit before deducting interest and taxation, divided by total assets.

Return on Shareholders' Equity Profit for shareholders divided by share capital plus reserves.

Secured Loan Loan where the lender has taken a special claim on particular assets or revenues of the company.

Shareholders' Funds Name given to total of **share capital** and **reserves** in a company balance sheet.

Short-term Finance Money lent to a business for a short period of time, usually repayable on demand and also repayable at the choice of the business if surplus to requirements.

Tangible Fixed Assets A **fixed asset** (also called a **non-current asset**) which has a physical existence.

Trade Creditors Persons who supply goods or services to a business in the normal course of trade and allow a period of credit before payment must be made.

Trade Debtors Persons who buy goods or services from a business in the normal course of trade and are allowed a period of credit before payment is due.

Unsecured Loan Loan in respect of which the lender has taken no special claim against any assets.

Working Capital Finance provided to support the short-term assets of the business (stocks and debtors) to the extent that these are not financed by short-term creditors. It is calculated as current assets minus current liabilities

Work-In-Progress (WIP) Cost of partly completed goods or services, intended for completion, and recorded as an asset.

Please note: This document serves as a guide to key accountancy terms, which are continually evolving. It is not intended to offer assistance with decision-making. Any financial advice should be provided by a responsible individual or professional and is their sole responsibility.



FullCircl SmartBroker™

Discover a smarter way to acquire new business
and build long-term client relationships

Acquiring new business and retaining clients are two of the most important aspects for any insurance broker. That's why we've developed SmartBroker, which provides the information you need to succeed.

SmartBroker empowers brokers with rich, contextualised company information on every business in the UK and Ireland and increases sales distribution capacity. By leveraging data-driven insights, brokers can identify new opportunities and build strong, long-term relationships that drive growth and revenue.

FullCircl's SmartBroker enables insurance brokers

Prospect with precision

SmartBroker holds 5m companies data on over 5m companies in the UK alone; our powerful filters allow you to narrow those companies down to a workable prospecting list.

Harnessing insights derived from structured and unstructured data provides opportunities to engage, establish credibility, and create new leads with well-timed, relevant outreach that differentiates you from competitors and increases chances of securing that next meeting.

Data-driven insights to tailor outreach

Receive insights about fundamental changes about your prospects and clients, such as management changes, award wins, contract wins & expansion or changes to their risk profile, allowing you to provide relevant support and guidance when they need it most.

SmartBroker also gives you access to key industry influencers, providing you with market insights on changes in legislation, HSE activity and potential exposures that affect your client's business activities.



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Prepare better underwriting submissions

Leveraging data-driven customer intelligence will ensure no knowledge gaps and that the submission process is aligned with customer needs and the requirements of tougher risk-averse underwriting conditions.

SmartBroker can help by providing access to key financial information; details of any previous adverse directorships (liquidations, bankruptcies etc.) and legal information, such as CCJs; combined with details of the corporate family tree, shareholdings, and people data, you can ensure you produce comprehensive, complete, and detailed submissions every time.

Increase client retention

Don't get blindsided by significant changes to your client's business and risk portfolio at renewal. SmartBroker flags potential issues and reasons to engage throughout the period of cover. Be alerted to changes in management; potential mergers and acquisitions; change of premises; relationship triggers, such as award wins; potential financial risks and opportunities.

Cultivate existing book of business

SmartBroker's daily insights into your client's world are the perfect way to trigger the conversation about additional product lines. Upselling and cross-selling mean that not only are policies per account more profitable, but it fosters a stronger sense of trust, establishing the broker as an advisor rather than simply a service provider.



Three words sum up why I love FullCircl - innovation, engagement, and results. FullCircl makes our lives easier by fostering wider market engagement, delivering data straight to our fingertips and helping us drive positive change for our customers.

Christy Chisholm, Premium Credit



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SmartBroker features and data

Opportunity 15 June 2023

Cash at Bank decreased by 87.49%

📌 Reach out to the client to discuss Premium Finance/Trade Credit Insurance

Opportunity 15 June 2023

Plant Vehicles increased by 624.79%

📌 Reach out to the client to discuss Fleet Insurance

Opportunity 26 June 2023

Evidence of Export Activity - Potential for international services

📌 Good opportunity to discuss Marine Cargo Insurance



Propensity Triggers

Our Propensity to buy Triggers identify potential exposures at companies, allowing you to have better, data-driven conversations.



Pre-qualification screening with pre-configured checks

Save time by quickly assessing any risk associated with potential clients, and improve the customer experience for clients by setting expectations early



Family Tree & Group Explorer

Our family tree and visual representation of national and international linkages provide valuable information when compiling the employee's liability certificate, ensuring all subsidiaries are listed.



Financials

Our financial data can help you offer valuable expertise and guidance to your clients, fostering strong relationships and helping companies protect their economic well-being.



People

We provide information on all the relevant managers and directors of the business, allowing you to identify the right people to reach out to offer your services.



Companies House documents

A range of documents are available to download, including strategic reports. Strategic reports provide valuable information about challenges, risks and goals potential clients or customers face, allowing you to structure your outreach to meet their demands and needs.



Adverse Directorships

Adverse Directorship information can help you answer material fact questions about any directors who have a negative history.



CCJs & Legal Notices

Understanding legal notices and CCJs on clients can help you assess the risk associated with a client, which could affect premium calculations and policy exclusions and conditions.



HMRC Imports & Exports

FullCircl provides a detailed itinerary of all goods and locations, enabling you to discuss appropriate cargo insurance coverage.



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