Economy and Business Terms - Charlie, your teacher of English

Acceptance: 1.It's a drawee's promise to pay either a time draft or sight draft. Typically, the acceptor signs his name after writing the word "**accepted**" on the bill along with the date. Instead of "accepted," similar wording indicating an intention to pay would also suffice to show a desire to honor the bill at maturity. The acceptance of a bill in effect makes it a promissory note**:** the acceptor is the maker and the drawer is the endorser.

2. It's a banker's acceptance.

3.binding contract effected when one party to a business arrangement accepts the offer of another. Acceptance may be in written or oral form.

Accountable: Someone who is liable to account for one's actions; for example, "***governments must be accountable to someone beside themselves***"; or "***fully accountable for what they did***"; other examples are, "***the court held the parents answerable for their minor child's acts of vandalism***"; or "***he was answerable to no one"***

Accountability: It's an employee's responsibility for the exercise of certain duties and the requirement to report to his superiors on his performance of them. In recent years, many managers have attempted to strengthen lines of accountability so as to achieve improvements in the job performance of their subordinates.

One approach to this has been the creation of profit centers. The profit performance of these subunits of the organization can be closely monitored by organizational leaders, thereby increasing the accountability of those working in the profit centers. In so far as creation of profit centers involves a measure of decentralization of decision-making, decentralization of responsibility and AUTHORITY can be coupled with increased accountability.

Accounting Measurement: It is the computation of economic or financial activities in terms of money, hours or other units. An accounting measurement is a unit of some measurable element that is used to compare and evaluate accounting data. Accounting is often measured in terms of money; for example, when a company records weekly sales at $10,000. The same company could record those transactions in terms of units sold; for instance 5,000 units (that is, $2.00 per unit.)

Accounts Payable (AP): These are bills to be paid as part of the normal course of business. This is a standard accounting term, one of the most common liabilities, which normally appears in the Balance Sheet listing of liabilities. Businesses receive goods or services from a vendor, as well as an invoice, and until that invoice is paid the amount is recorded as part of "Accounts Payable."

Actuary: Actuaries are employed by insurance companies and pension providers to calculate factors such as life expectancy, accident rates and likely payouts by using complex mathematical formulas.

The profession also includes statisticians who provide expert data analysis on risk assessment and risk management for the financial services sector. Actuaries are most often employed within the insurance industry, but also prepare and assess data for commercial and investment banks, retirement and pension fund administrators, or are self-employed as consultants. Specific data prepared by actuaries is often presented in the form of actuarial tables (mortality tables) that indicate the life expectancy of an individual. Such tables may be used as the bases for calculating estimated insurance premiums or monthly retirement annuities. When utilized by expert witnesses, actuarial tables are admissible in evidence to show life expectancy.

Advertising: It is any communication designed to raise awareness and produce a desired effect. An advertisement may occur through any medium, be that print, broadcast, imagery, or even word of mouth. Many advertisements are basic; for example, there may be a radio announcement to "buy a detergent called X." Others are more complex, encouraging purchase by stating that a product has a better price and/or better quality. Many advertisements are intended to entertain. They are an integral part of marketing. Informally, an advertisement is called an advert or an ad.

Aggregate demand: It is the total amount of goods and services demanded in the economy at a given overall price level and in a given time period. It is represented by the aggregate-demand curve, which describes the relationship between price levels and the quantity of output that firms are willing to provide. Normally there is a negative relationship between aggregate demand and the price level. Also known as "total spending".

Amortization: It is the running down or payment of a loan by installments. An example is a repayment mortgage on a house, which is amortized by making monthly payments that over a pre-agreed period of time cover the value of the loan plus interest. With loans that are not amortized, the borrower pays only interest during the period of the loan and then repays the sum borrowed in full.

Annual bonus: This is the sum paid to with-profits policyholders at the end of each year from surpluses in the with-profits fund.

Unlike stock market investors who see the value of their savings rise and fall, annual bonuses, once paid, cannot be removed.

However, due to the problems experienced with with-profits funds, many companies have cut or scrapped their annual bonuses.

Annual percentage rate (APR): The APR is the rate of interest that you agree to pay on the money that you borrow. It was designed to allow consumers to compare products on a like-for-like basis and every lender must quote this rate by law.

Basically, the higher the figure, the more you will pay. Confusingly, though, there are currently several ways used to calculate APRs, making comparison very difficult.

Annuity: An annuity is a type of insurance policy that provides a regular income in exchange for a lump sum paid into it on retirement.

Insurance companies convert the capital built up in your pension fund into a regular income. The insurance company estimates how long you will live and uses this as a basis for the amount they will pay you as an income. The longer you are likely to live, the lower your income is likely to be.

For example, a healthy, non-smoking 65-year-old woman will receive a smaller monthly payout than a 70-year-old male smoker, because it is expected that she will cost the insurance company more in the long run.

Annuities vary between providers, so it is important to shop around rather than just buying the annuity offered by your existing pension company. Currently, you must purchase your annuity before you turn 75.

Arbitrage: It's the taking advantage of the difference in the price of a share or currency, usually in two different markets.

If a share is quoted at 100pence in London and 105pence in New York, an arbitrageur would make a profit by selling in New York and buying in London.

In the US, arbitrage is often associated with risk arbitrage, which means buying shares in potential takeover targets, waiting for a bid that inevitably pushes up the share price and then selling the shares for a profit.

It's an investment practice that attempts to profit from inefficiencies in price by making transactions that offset each other. For example, one may buy a security at a low price and, within a few seconds, re-sell it to a willing buyer at a higher price. Arbitrageurs can keep prices relatively stable as markets try to resist their attempts at price exploitation. Arbitrageurs often use computer programs because their transactions can be complex and occur in rapid succession.

Arbitration: At its core, arbitration is a form of dispute resolution. Arbitration is the private, judicial determination of a dispute, by an independent third party. An arbitration hearing may involve the use of an individual arbitrator or a tribunal. A tribunal may consist of any number of arbitrators though some legal systems insist on an odd number for obvious reasons of wishing to avoid a tie. One and three are the most common numbers of arbitrators. The disputing parties hand over their power to decide the dispute to the arbitrator(s). Arbitration is an alternative to court action (litigation.

Assemble: An assembly line is a process of production which enables a continuous efficient rolling process. Usually it involves a commodity, such as a car, moving along a conveyor belt. As it moves slowly along, workers add different parts to the car.

Auditors: Auditors are accountants who must certify that the company accounts are prepared and signed by the board of directors, and are a 'true and fair view' of the company's financial position.

1. Also, an auditor is a person who reviews activities to identify inefficiencies, reduce costs, and otherwise achieve organizational objectives. Auditors may investigate potential theft or fraud and ensure compliance with applicable regulations and policies. They also help ensure the accuracy of reports. Audits are an essential part of a company's efficiency..

2. In taxation, it is an employee of the tax collection agency who reviews the reports of an individual or company to see if all income, deductions, and/or credits reported accurately reflect reality. This is done to ensure that each individual or company pays his/her/its full tax liability. Audits are conducted on a random basis, or when something appears remiss on a tax return. //

Average: It is a number that is calculated to summarize a group of numbers. The most commonly used average is the mean, the sum of the numbers divided by however many numbers are in the group. The median is the middle value in a group of numbers ranked in order of size. The mode is the number that occurs most often in a group of numbers. Take the following group of numbers: 1, 2, 2, 9, 12, 13, 17

The mean is 56/7=8, The median is 9, The mode is 2

Awarded Damages (or Compensatory Damages): It's the money awarded to a plaintiff to compensate for damages, injury, or another incurred loss. Compensatory damages are awarded in civil court cases where loss has occurred as a result of the negligence or unlawful conduct of another party. To receive compensatory damages the plaintiff has to prove that a loss occurred, and that it was attributable to the defendant. The plaintiff must also be able to quantify the amount of loss in the eyes of the jury or judge.

Balance sheet: It's a summary of the financial value of a company, usually published at the end of its financial year.

It is a statement of a company's assets, liabilities, and stockholder equity at a given period of time, such as the end of a quarter or year. A balance sheet is a record of what a company has and how it has come to have it. A balance sheet is divided into two main sections, one that records assets and one that records liabilities and stockholder equity. The assets should generally equal the liabilities and stockholder equity because the latter two are how the company paid for its assets. Examples of items recorded as assets include accounts receivable and property, plants, and equipment. Examples of liabilities include accounts payable and long-term bonds.

Be listed on an exchange (to): To be listed on an exchange, a business must first comply with basic criteria set by that exchange and continue to fulfill any requirements it demands. Exchanges often add and delete businesses from their listings. Possible criteria may include the number of shares the company includes in a list and a required minimum of earnings. Also another name for a listed company is a quoted company.

Bear Market: A bear market is a condition in which securities prices fall and widespread pessimism causes the stock market's downward spiral to be self-sustaining. Investors anticipate losses as pessimism and selling increases. Although figures vary, a downturn of 20% or more from a peak in multiple broad market indexes, such as the Dow Jones Industrial Average (DJIA) or Standard & Poor's 500 Index (S&P 500), over a two-month period is considered an entry into a bear market.

Bid: It's a benefit that can be expressed numerically as an amount of money that will be saved or generated as the result of an action. Making a business case for a new strategy or product idea usually involves pointing out the economic benefits of the proposal to decision makers, enabling them to measure the financial effects of the proposed change.

Black swan

It's an event that is extremely hard to predict. It is generally associated with Nassim Nicholas Taleb's book. Black swan events are typically random and unexpected, and some think the current financial crisis is a black swan.

Before the discovery of Australia, it was assumed that all swans were white because nobody had seen one of a different shade. Markets tend to work on the basis that black swans either don't exist or appear with such irregularity that they are not worth worrying about. Black swan events are typically random and unexpected. For example, the previously successful hedge fund Long Term Capital Management (LTCM) was driven into the ground as a result of the ripple effect caused by the Russian government's debt default. The Russian government's default represents a black swan event because none of LTCM's computer models could have predicted this event and its subsequent effects.

Blue Chip: A blue chip is a nationally recognized, well-established and financially sound company. Blue chips generally sell high-quality, widely accepted products and services. Blue chip companies are known to weather downturns and operate profitably in the face of adverse economic conditions, which helps to contribute to their long record of stable and reliable growth.

Bond: A bond is a debt investment in which an investor loans money to an entity (typically corporate or governmental) which borrows the funds for a defined period of time at a variable or fixed interest rate. Bonds are used by companies, municipalities, states and sovereign governments to raise money and finance a variety of projects and activities. Owners of bonds are debtholders, or creditors, of the issuer.

Bonus 1: A bonus is an additional compensation given to an employee above his/her normal wage. A bonus can be used as a reward for achieving specific goals set by the company, or for dedication to the company.

2. They are dividends paid to shareholders from funds created out of additional profits realized by the company.

3. Or a premium paid for accepting an agreement. Sometimes referred to as a "signing bonus".

4. It's also anything over and above what is expected.

Bridge Loan: It's a loan for a short-term period, usually two weeks to three years, and until long-term financing can be arranged or an obligation is removed. Interest rates are relatively high, often 12-15%. Bridge loans are used to satisfy working capital needs; for example, if a company is arranging for an IPO or a bond issue in the coming months, but needs capital before then, it may take out a bridge loan. In doing so, it will plan to pay back the bridge loan with the money raised in the longer-term financing.

Broker: It is a person or firm that conducts transactions on behalf of a client. Some brokers only conduct transactions while others also offer different types of investment advisory services. Brokers derive their profit from commissions on orders given. That is, they usually collect a percentage of the value of each transaction, though some charge flat fees. Clients may give orders in a variety of ways. One may meet with a broker, call on the telephone, or give orders over the Internet. Brokers handle two main types of brokerage accounts: advisory accounts and discretionary accounts. Brokers are only allowed to conduct transactions on advisory accounts on the specific orders of the account holder, or under very specific instructions. On the other hand, they have much more leeway over discretionary accounts, conducting transactions not prohibited by the account holder in accordance with the holder's investment goals and the prudent man rule. In practice, most brokerage firms are in fact broker-dealer firms. Most brokers must register with the SEC.

Brokerage: It's a real estate activity devoted to assisting buyers and/or sellers in the purchase of real property. In smaller communities, brokerage activities are conducted on a type of general practitioner basis. In larger communities, brokers generally specialize in certain price ranges or types of residential properties; or some combination of office buildings, retail space, food service, industrial activities, warehouse, farms and lands, or development land.

Budget: It's the chancellor's annual announcement of the British government's fiscal policy changes. Inside the chancellor's famous red briefcase are details of how much cash he plans to raise through taxes and how he then plans to spend it. It usually takes place in March.

In a balanced budget, the government matches income to expenditure. Classical economists argued that this should always be the aim of government policy. The budget is in deficit when government income falls short of spending plans, and in surplus when the government collects more in taxes than it intends to spend on public goods and services.

Bull Market: It's a prolonged period in which investment prices rise faster than their historical average. Bull markets can happen as a result of an economic recovery, an economic boom, or investor psychology. The longest and most famous bull market is the one that began in the early 1990s in which the U.S. equity markets grew at their fastest pace ever.

Business Cycle: The business cycle is the fluctuation in economic activity that an economy experiences over a period of time. A business cycle is basically defined in terms of periods of expansion or recession. During expansions, the economy is growing in real terms (i.e. excluding inflation), as evidenced by increases in indicators like employment, industrial production, sales and personal incomes. During recessions, the economy is contracting, as measured by decreases in the above indicators. Expansion is measured from the trough (or bottom) of the previous business cycle to the peak of the current cycle, while recession is measured from the peak to the trough. In the United States, the National Bureau of Economic Research (NBER) determines the official dates for business cycles.

Buy-out: A buy-out occurs where a controlling proportion of a firm's shares are purchased by a single party. A term often heard is "management buy-out" which means the management buys company shares to become the owner of that company.

Another type of buy-out is where a company buys back shares in itself that it has previously sold off, thereby taking itself off the stock market and turning itself back into a private firm. //

Buy-to-let mortgages: Buy-to-let mortgage is a mortgage arrangement in which an investor borrows money to purchase property in the private rented sector in order to let it out to tenants. Buy-to-let mortgages have been on offer in the UK since the late 1990s. Lenders calculate how much they are willing to lend using a different formula than for an owner-occupied property. For an owner-occupied property, the calculation is typically a multiple of the owner's annual income.

The interest rates and fees that are offered on BTL mortgages are, on average, slightly higher than those for an owner-occupied mortgage. This is due to the perception among banks and other lending institutions that BTL mortgages represent a greater risk than residential owner-occupier mortgages.

Campaign: It's a series of marketing activities designed to achieve clearly defined goals within a specified time frame. Whether the ultimate goal is to acquire new customers, launch a new product, promote brand awareness or generate leads, smart conversion marketers think in terms of campaigns.

Capital Gains: In real estate and investments, the difference between the purchase price and the sale price when the sale price is more. That is, when an investor buys a security or real estate and sells it for a higher price, he/she incurs a capital gain. Capital gains in the United States are taxed at a lower rate than other income if the asset is held for longer than one year. One may use capital losses to offset capital gains to minimize one's liability for capital gains taxes; indeed, some investors do so deliberately.

Capital gains tax: It is the tax paid to the Inland Revenue Department when you make a capital gain, that is, a profit from selling an asset, which could be anything from shares to a painting or a holiday home. Everyone has an allowance before they become liable for capital gains tax and rates vary. In general, you do not have to pay capital gains tax on your car, your main home, ISAs or personal belongings worth £6,000 or less. You pay the tax at whatever your highest rate of income tax is. But reliefs and exemptions are available - so those who could be liable are best seeking expert advice.

Carry trade: The **carry trade** occurs when investors borrow money at low rates of interest in one currency and invest it at higher rates in another. The most common carry trade of recent years has been in yen.

With interest rates in Japan at virtually zero, speculators have been borrowing there to invest in the UK or the US, where rates are more like 5%. There is a big risk, though, that the exchange rate moves against you. With the recent financial market turmoil, investors fled from risky investments and unwound many of their yen carry trades.

This caused the yen to surge by over 10% in less than a fortnight. In the past couple of days, though, the yen has fallen back again, possibly as calmer markets have encouraged a renewed bout of carry trading.

Cash: Cash normally means bills and coins, as in paying in cash. However, the term is used in a business plan to represent the bank balance, or checking account balance.

Cash flow: The cash flow in a business plan is the change in the cash balance. For example, the cash flow for a month would be a positive $10,000 if the balance was $10,000 at the beginning of the month and $20,000 at the end of the month. It is important to distinguish cash flow, which is the change in the balance, from cash or cash balance, which is the resulting ending balance. More formally, cash flow is an assessment and understanding of cash coming into and flowing out of the venture in specific periods of time. This can be based on projections or actual cash flow.

Chapter 11 bankruptcy. Chapter 11 is a chapter of the US bankruptcy code that gives a company an opportunity to reorganize and emerge from bankruptcy. Chapter 11 bankruptcy is a form of corporate financial reorganization in which a company's assets gets sold off to pay creditors. In some cases, Chapter 11 bankruptcy allows companies to continue to function. Creditors must vote to approve the reorganization plan. If a plan cannot be agreed, the court can either convert the case to a liquidation under Chapter 7 or, if this is in the interest of creditors, return the business to the status quo before bankruptcy.

Checking Account: An account at a bank in which a customer deposits money for immediate use. For example, one may utilize a checking account for one's monthly expenses, such as a mortgage payment or groceries. Because most customers keep money in a checking account for a shorter period than in a savings account, a current account pays a slightly lower interest rate. Typically, one can write a check or use a debt card on a checking account, and banks expect customers to do so. The term "checking account" is more common in the United States. In the United Kingdom, the common term is "current account."

Close price: The closing price is the final price at which a security is traded on a given trading day. The closing price represents the most up-to-date valuation of a security until trading commences again on the next trading day. Most financial instruments are traded after hours (although with markedly smaller volume and liquidity levels), so the closing price of a security may not match its after-hours price.

Collateral: In lending agreements, collateral is a borrower's pledge of specific property to a lender, to secure repayment of a loan. The collateral serves as protection for a lender against a borrower's default - that is, any borrower failing to pay the principal and interest under the terms of a loan obligation. If a borrower does default on a loan (due to insolvency or other event), that borrower forfeits (gives up) the property pledged as collateral—and the lender then becomes the owner of the collateral. In a typical mortgage loan transaction, for instance, the real estate being acquired with the help of the loan serves as collateral. Should the buyer fail to pay the loan under the mortgage loan agreement, the ownership of the real estate is transferred to the bank. The bank uses a legal process called foreclosure to obtain real estate from a borrower who defaults on a mortgage loan obligation.

Collateralize: To offer an asset as a surety that a debt will be repaid. The asset may be kept by the lender until the debt is repaid, or the borrower may maintain possession with the proviso that the lender may take possession of the borrower defaults. For example, one collateralizes a mortgage loan with the real estate one purchases with the loan. If the loan is not repaid, the lender has the right to seize the real estate in question.

Commercial paper: It's is an unsecured, short-term debt instrument issued by a corporation, typically for the financing of accounts receivable, inventories and meeting short-term liabilities.

Maturities on commercial paper rarely range any longer than 270 days. Commercial paper is usually issued at a discount from face value and reflects prevailing market interest rates.

Commodity: A commodity is any homogenous item which may be freely bought and sold. The term typically refers to products such as coffee, cocoa and soybeans (soft commodities) or gold, aluminum and platinum (hard commodities). Pork belly and frozen orange concentrate were featured in the 1980s film, Trading Places.

Commodities typically are bought and sold in futures markets where producers combine with manufacturers and speculators to create a smoothly functioning market.

Compensation: (1) Payment for goods or services.(2) Damages necessary to restore an injured party to his or her position before the wrongdoing.(3) In eminent domain, payment to property owners for the value of the property taken and any damage caused to the value of the remaining property.

It is also the payment for services rendered. One is due compensation when one has performed a service for an employer or client. Examples of compensation include wages, salaries, tips, fees, and commissions. Compensation is usually the primary component of an individual's tax liability. It is also called remuneration.

Conditions: Economic conditions refer to the state of the economy in a country or region. They change over time in line with the economic and business cycles, as an economy goes through expansion and contraction. Economic conditions are considered to be sound or positive when an economy is expanding and are considered to be adverse or negative when an economy is contracting.

A country's economic conditions are influenced by numerous macroeconomic and microeconomic factors, including monetary and fiscal policy, the state of the global economy, unemployment levels, productivity, exchange rates, inflation and many others.

Consideration: It is something of value given by both parties to a contract that induces them to enter into the agreement to exchange mutual performances.

Consideration is an essential element for the formation of a contract. It may consist of a promise to perform a desired act or a promise to refrain from doing an act that one is legally entitled to do. In a bilateral contract— that is, an agreement by which both parties exchange mutual promises—each promise is regarded as sufficient consideration for the other. In a unilateral contract, an agreement by which one party makes a promise in exchange for the other's performance, the performance is consideration for the promise, while the promise is consideration for the performance.

Consideration must have a value that can be objectively determined. A promise, for example, to make a gift or a promise of love or affection is not enforceable because of the subjective nature of the promise. //

Consultant: It is an experienced professional who provides expert knowledge (often packaged under a catchy name) for a fee. He or she works in an advisory capacity only and is usually not accountable for the outcome of a consulting exercise. Some consultants (like Peter Drucker and W.

Edward Deming) have brought dramatic shifts in management thinking and improvements in the performance of organizations.

Corporation tax: Corporation tax is paid by UK companies on their profits. It is currently paid at 30% but will reduce to 28% in April 2008, the first cut in the rate since 1999.

Supporters said the cut would restore Britain's attractiveness as a home for companies operating across the globe but small businesses said it would mean more burdens for them. The Treasury has been under pressure to cut corporation tax as Britain has slipped down the international league table of low tax countries.

Consumer Price Index (CPI): The Consumer Price Index (CPI) is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. It is calculated by taking price changes for each item in the predetermined basket of goods and averaging them. Changes in the CPI are used to assess price changes associated with the cost of living; the CPI is one of the most frequently used statistics for identifying periods of inflation or deflation.

Consumer Spending (consumption): Consumer spending is another term for voluntary private consumption, or an exchange of money for goods and services. Contemporary measures of consumer spending include all private purchases of durable goods, nondurables and services. In a purely free market, the aggregate level of private consumer spending in an economy is necessarily equal to the total market value of economic output.

Contingency Plan: Contingency is a potential negative event which may occur in the future such as a natural disaster, fraudulent activity or a terrorist attack. In finance, managers often attempt to identify and plan for any contingencies that they feel may occur with any significant likelihood. To mitigate risk, financial managers often err on the conservative side, assuming slightly worse-than-expected outcomes, and arranging a company's affairs so that it can weather negative outcomes with the least distress possible.

Contract: It's a legally enforceable agreement between two or more parties generally relating to a transaction for the purchase or sale of inputs, goods and services. A contract involves obligations on the part of the contractors which may be expressed verbally or in writing. Formation of a contract involves one party making an offer to the other party which must then be accepted by the latter party. For example, one firm may offer to supply a product to another company at a given future date and on specified terms. In return, the latter company would agree to pay a specified sum of money as consideration for the product to be supplied. Both parties would then be legally bound to honor their agreement to sell and to buy the product. In the event of either party failing to comply with the terms of the contract the other party could seek damages for breach of contract through the courts.

Corporate Income Tax: It's a tax levied on corporations' profits. Because corporations are legal entities separate from their owners, they may be taxed as if they were persons. A corporate tax, then, is the equivalent of the income tax for natural persons. Corporate taxes vary from country to country; in the United States, they are levied at both the federal and state levels. Proponents of the corporate tax argue it guards against excessive profits that may result from unethical or illegal corporate practices, while opponents say that corporations simply pass on the tax to their customers.

Cost of Living: Cost of living is the amount of money needed to sustain a certain level of living, including basic expenses such as housing, food, taxes and health care. Cost of living is often used to compare how expensive it is to live in one city versus another locality. Cost of living is tied to wages, as salary levels are measured against expenses required to maintain a basic standard of living throughout specific geographic regions.

Cost-benefit Analysis: A cost-benefit analysis is a process by which business decisions are analyzed. The benefits of a given situation or business-related actions are summed, and then the costs associated with taking that action are then subtracted. Some consultants or analysts also build the model to put a dollar value on intangible items, such as the benefits and costs associated with living in a certain town, and most analysts will also take into account opportunity cost into such equations.

Deflation: It's a fall in the general level of prices - the opposite of inflation. Productivity gains in the last century allowed businesses to make more goods more cheaply, lowering the price of the goods and improving everybody's standard of living.

Deflation becomes damaging when people postpone spending in anticipation of cheaper prices. When consumers postpone or no longer spend, businesses cannot sell their goods, make profits or pay off their debts, leading them to cut production and workers. This leads to lower demand for goods, even lower prices, and a vicious cycle develops. Historical experience has shown that once deflation sets in, it is incredibly hard to shake off, as Japan has discovered.

Demand-Pull Inflation: In Keynesian economics, it is a significant increase in prices that occurs when there is an increase in demand for goods and services that the increase outpaces supply. The equivalent of demand-pull inflation can occur for any one product, but the term refers to situations where this happens throughout the economy. Demand may increase for a number of reasons; one example is an increase in the money supply. If persons have more money, they are more likely to buy goods and services which, in turn, drives up prices. One way to think of demand-pull inflation is to conceptualize it as too many dollars chasing too few products.

Demutualization: It is the process by which a mutual company becomes a publicly-traded company. A mutual company is a company owned by its members or users for the benefit of those members or users. In demutualization, the members give up their rights and receive shares in the company in return, which the members may then sell. Demutualization happens most often when a stock exchange owned by its members goes public. As an aside, a mutual company should not be confused with a mutual fund.

Depression: Depression is a severe and prolonged downturn in economic activity. In economics, a depression is commonly defined as an extreme recession that lasts two or more years. A depression is characterized by economic factors such as substantial increases in unemployment, a drop in available credit, diminishing output, bankruptcies and sovereign debt defaults, reduced trade and commerce, and sustained volatility in currency values. In times of depression, consumer confidence and investments decrease, causing the economy to shut down.

Derivative: It's an asset that derives its value from another asset. For example, a call option on the stock of Coca-Cola is a derivative security that obtains value from the shares of Coca-Cola that can be purchased with the call option. Call options, put options, convertible bonds, futures contracts, and convertible preferred stock are examples of derivatives. A derivative can be either a risky or low-risk investment, depending upon the type of derivative and how it is used..

Disposable Income: Disposable income, also known as disposable personal income (DPI), is the amount of money that households have available for spending and saving after income taxes have been accounted for. Disposable personal income is often monitored as one of the many key economic indicators used to gauge the overall state of the economy.

Dividend: It's a portion of a publicly-traded company or fund's earnings that is distributed to shareholders. The amount of earnings distributed as dividends is usually determined by the board of directors and divided by the number of shares, but preferred stock often has guaranteed dividends. Dividends exist in order to encourage investment in the company and to allow shareholders (who are really co-owners) to participate in the profits. A rapidly expanding company often pays little or nothing in dividends, as most of its earnings are reinvested in the company. On the other hand, a well-established company with solid profits likely pays relatively high dividends.

Dow Jones Industrial Average (DJIA): The Dow Jones Industrial Average (DJIA), sometimes referred to as the Dow, is the best-known and most widely followed market indicator in the world. It tracks the performance of 30 blue chip US stocks.

Though it is called an average, it actually functions more like an index. The DJIA is quoted in points, not dollars. It's computed by totaling the weighted prices of the 30 stocks and dividing by a number that is regularly adjusted for stock splits, spin-offs, and other changes in the stocks being tracked. The companies that make up the DJIA are changed from time to time. For example, in 1999 Microsoft, Intel, SBC Communications, and Home Depot were added and four other companies were dropped. The changes are widely interpreted as a reflection of the emerging or declining impact

Durables: Durables is a category of consumer goods that do not have to be purchased frequently. Some examples of durables are appliances, home and office furnishings, lawn and garden equipment, consumer electronics, toys, small tools, sporting goods, photographic equipment, jewelry, motor vehicles and motor vehicle parts, turbines and semiconductors. They also known as "durable goods," they tend to last for at least three years. **Non-durables:** A good which is immediately used by a consumer or which has an expected lifespan of three years or less. Examples of non-durable goods include food and clothing.

EBIT: It's a type of operating profit. Ebit stands for earnings before interest and tax. **Earnings Before Interest and Tax:** It's a measure of a company's ability to produce income on its operations in a given year. It is calculated as the company's revenue minus its expenses (such as overhead) but not subtracting its tax liability or interest paid on debt. It is important to note that EBIT does not account for one-off or otherwise unusual revenues and expenses, only recurring ones. EBIT represents cash available to pay off creditors in the event of liquidation and, as such, it is closely watched, especially when the company incurs little depreciation or amortization. It is also called operating profit.//////////////////////////////////

Economic Growth: It's an increase in the capacity of an economy to produce goods and services, compared from one period of time to another. Economic growth can be measured in nominal terms, which include inflation, or in real terms, which are adjusted for inflation. For comparing one country's economic growth to another, GDP or GNP per capita should be used as these take into account population differences between countries.

Economic growth is usually associated with technological changes. An example is the large growth in the U.S. economy during the introduction of the Internet and the technology that it brought to U.S. industry as a whole. The growth of an economy is thought of not only as an increase in productive capacity but also as an improvement in the quality of life to the people of that economy.

Elasticity: It's the responsiveness of the quantity purchased of an item to changes in the item's price. If the quantity purchased changes proportionately more than the price, the demand is elastic. If the quantity purchased changes proportionately less than the price, the demand is inelastic. For example, price increases by cigarette manufacturers have a relatively small effect on cigarette consumption, thus, the demand for cigarettes is inelastic.

Environmental Scan: It is one of the essential components of the global environmental analysis. Environmental monitoring, environmental forecasting and environmental assessment complete the global environmental analysis. The global environment refers to the macro environment which comprises industries, markets, companies, clients and competitors. Consequently, there exist corresponding analyses on the micro-level. Suppliers, customers and competitors representing the micro environment of a company are analyzed within the industry analysis.

Equity: In the broadest sense, equity gives you ownership. If you own stock, you have equity in, or own a portion -- however small -- of the company that issued the stock. Having equity is the opposite of owning a bond or commercial paper, which is a debt the company must repay to you.

Equity also refers to the difference between an asset's current market value -- the amount it could be sold for -- and any debt or claim against it. For example, if you own a home currently valued at $300,000 but still owe $200,000 on your mortgage, your equity in the home is $100,000.

The same is true if you own stock in a margin account. The stock may be worth $50,000 in the marketplace, but if you have a loan balance of $20,000 in your margin account because you financed the purchase, your equity in the stock is $30,000.

Earnings per share (EPS): It's a measure of how much profit a company is making for its shareholders. Changes in EPS are tracked carefully by analysts in order to assess performance of companies. If EPS is growing, this is a good thing.

Why not just look at profits? Because a company can increase its profits by buying another company and adding both sets of profits. A company may double its profits through a merger, yet its EPS can remain unchanged.

Exchange (Stock Exchange): An exchange is a marketplace in which securities, commodities, derivatives and other financial instruments are traded. The core function of an exchange is to ensure fair and orderly trading, as well as efficient dissemination of price information for any securities trading on that exchange. Exchanges give companies, governments and other groups a platform to sell securities to the investing public.

Exclusion clauses: clauses in a contract that are intended to exclude one party from liability if a stated circumstance happens. They are types of **exemption clauses**. The courts tend to interpret them strictly and, where possible, in favour of the party that did not write them. In customer dealings, exclusion clauses are governed by regulations that render most of them ineffective but note that these regulations do not cover you in business dealings.

Exemption clauses: clauses in a contract that try to restrict the liability of the party that writes them. These are split into **exclusion clauses** that try to exclude liability completely for specified outcomes, and limitation clauses that try to set a maximum on the amount of damages the party may have to pay if there is a failure of some part of the contract. Exemption clauses are regulated very strictly in consumer dealings but these don't apply for those who deal in the course of their business.

Express terms - the terms actually stated in the contract. These can be the written terms, or verbal ones agreed before or at the time the contract is made (see **implied terms**).

Expansion: It is, in a business cycle, a period of growth during which an economy moves from its trough to its peak. For example, if an economy dips to growth of -2.5% and then recovers to 3% growth, this period is called expansion. It is considered a normal and inevitable part of a business cycle following a recession or other contraction. Expansion is also called recovery.

Express Terms: Clear; definite; explicit; plain; direct; unmistakable; not dubious or ambiguous. Declared in terms; set forth in words. Directly and distinctly stated. Made known distinctly and explicitly, and not left to inference. Manifested by direct and appropriate language, as distinguished from that which is inferred from conduct. The word is usually contrasted with implied.

Externalities: They are the costs or benefits that affect society but are not included in the market price of a good or service. Pollution is an example of a negative externality. Education is an example of an externality benefit when members of society other than students benefit from a better educated population.

Fabrication: Manufacturing process in which an item is made (that is, fabricated) from raw or semi-finished materials instead of being assembled from ready-made components or parts. In the 21st century house fabrication has become very popular because it is an easy way to construct a home, and the housing industry is booming in the United States right now.

Financial year: A firm's financial year can run over any 12-month period it chooses, although the most common year-ends are March 31 and December 31.

A fiscal year (or financial year, or sometimes budget year) is a period used for calculating annual ("yearly") financial statements in businesses and other organizations. In many jurisdictions, regulatory laws regarding accounting and taxation require such reports once per twelve months, but do not require that the period reported on constitutes a calendar year (that is, 1 January to 31 December). Fiscal years vary between businesses and countries. The "fiscal year" may also refer to the year used for income tax reporting. Some companies choose to end their fiscal year on the same day of the week, such day being the one closest to a particular date (for example, the Friday closest to 31 December). Under such a system, some fiscal years will have 52 weeks and others 53 weeks.

Fiscal policy: The existing policy that the government has for spending and taxing. Fiscal policy directly affects economic variables, such as tax rates, interest rates, and government programs, that influence security prices. See also monetary policy.

Fiscal Year: 1. It's a calendar businesses use to calculate revenue and expenses. Most businesses also use their fiscal year as the period their annual budgets operate. Most jurisdictions require businesses to issue financial statements each year but often do not specify when they must do so. Thus, fiscal years vary by business and jurisdiction. They tend to begin in the middle of the calendar year, particularly in retail, as the end of the calendar year is an exceptionally busy time. The U.S. Government's fiscal year starts on October 1. In nomenclature, if a fiscal year covers more than one calendar year it is designated by the calendar year in which it ends; for example, the U.S. government's fiscal year from October 1, 2008 to September 30, 2009 is called "FY 09."

2. In the United Kingdom, the tax year.

Flash Trading: A controversial computerized trading practice offered by some stock exchanges. Flash trading uses highly sophisticated high-speed computer technology to allow traders to view orders from other market participants fractions of a second before others in the marketplace. This gives flash traders the advantage of being able to gauge supply and demand and recognize movements in market sentiment before other traders.

Flexible mortgage: Flexible mortgages come in many guises, but in most cases they allow you to make extra lump sum or monthly payments, borrow back money, take payment holidays and make underpayments. Some double up as current accounts - your salary is paid in monthly and you effectively pay off an enormous overdraft. Not surprisingly, flexible mortgages come with higher interest rates than standard home loans, but the great advantage is that potentially, they allow you to pay your mortgage off years earlier than you originally planned. //

Frustration: In the law of contracts, the destruction of the value of the performance that has been bargained for by the promisor as a result of a supervening event. Frustration of purpose has the effect of discharging the promisor from his or her obligation to perform, in spite of the fact that performance by the promisee is possible, since the purpose for which the contract was entered into has been destroyed. For example, an individual reserves a hall for a wedding. In the event that the wedding is called off, the value of the agreement would be destroyed. Even though the promisee could still literally perform the obligation by reserving and providing the hall for the wedding, the purpose for which the contract was entered into was defeated. Apart from a nonrefundable deposit fee, the promisor is ordinarily discharged from any contractual duty to rent the hall.

In order for frustration to be used as a defense for nonperformance, the value of the anticipated counter performance must have been substantially destroyed and the frustrating occurrence must have been beyond the contemplation of the parties at the time the agreement was made.

Goals: They are what a person or institution seeks to gain from an investment. Goals vary from investor to investor and can even change for the same investor over time. For example, a person may have the goal to extract a high return from her investments when she is young in order to finance a certain lifestyle; this person is likely to invest in high risk securities and ventures. Over time, however, this person may be concerned about protecting savings for retirement. As a result, the goals may shift and the person may invest primarily in bonds and blue-chip stocks instead. Goals influence one's investment philosophy and strategy.

Gold: A particularly valuable precious metal. Gold is an element with the atomic number 79. It is used for jewelry, electronics and for other purposes. Historically, gold was used in many cultures as the basis for currency, but this is no longer the case. Investments in gold are often used as a hedge against inflation because it tends to maintain its value over time.

Gross Domestic Product (GDP): Gross domestic product (GDP) is the monetary value of all the finished goods and services produced within a country's borders in a specific time period. Though GDP is usually calculated on an annual basis, it can be calculated on a quarterly basis as well. GDP includes all private and public consumption, government outlays, investments and exports minus imports that occur within a defined territory. Put simply, GDP is a broad measurement of a nation's overall economic activity.

Gross National Product (GNP): Gross national product (GNP) is an estimate of total value of all the final products and services produced in a given period by the means of production owned by a country's residents. GNP is commonly calculated by taking the sum of personal consumption expenditures, private domestic investment, government expenditure, net exports, and any income earned by residents from overseas investments, minus income earned within the domestic economy by foreign residents. Net exports represent the difference between what a country exports minus any imports of goods and services.

Growth: It is an increase in the value of an investment over time. Unlike investments that produce income, those that are designed for growth don't necessarily provide you with a regular source of cash. A growth company is more likely to reinvest its profits to build its business. If the company prospers, however, its stock typically increases in value. Stocks, stock mutual funds, and real estate may all be classified as growth investments, but some stocks and mutual funds emphasize growth more than others.

Guarantor: It's a third party who promises to provide payment on a bond, loan, or other liability in the event of default. While many guarantees apply to debt instruments, they may also be used for day-to-day expenses. For example, a parent may be a guarantor for an adult child and promise to pay rent to a rental agency if the adult child does not do it. Banks often serve as guarantors on behalf of certain clients, but, just as often, private parties serve as guarantors and promise payment on private loans. Guarantors reduce the risk to loans and liabilities, and usually improve the credit agency ratings of bonds.-

Headcount: If you do a head count, you count the number of people present. You can also use head count to talk about the number of people that are present at an event, or that an organization employs, so it is the actual number of individuals carried on a firm's payroll.

Household Debt: Household debt can be defined in several ways, based on what types of debt are included. Common debt types include home mortgages, home equity loans, auto loans, student loans, and credit cards. Household debt can also be measured across an economy, to measure how indebted households are relative to various measures of income (e.g., pre-tax and disposable income) or relative to the size of the economy (GDP). The burden of debt can also be measured in terms of the amount of interest it generates relative to the income of the borrower. For example, the U.S. Federal Reserve measures the "household debt service ratio" (DSR), an estimate of the ratio of debt payments to disposable personal income.

Human Resources: Human resources (HR) is the company department charged with finding, screening, recruiting and training job applicants, as well as administering employee-benefit programs. As companies reorganize to gain competitive edge, human resources plays a key role in helping companies deal with a fast-changing environment and the greater demand for quality employees.

Hyperinflation: It's a very high rate of inflation, especially sustained over a long period of time. While there is no set numeric definition, it is associated with inflation percentages in the millions and billions. Hyperinflation is almost always caused by poor monetary policy on the part of the government. For example, a government that rapidly increases the money supply without a corresponding growth in GDP often undergoes hyperinflation. This situation often leads to (though it may also be caused by) wider economic instability, and may lead to a lack of confidence in the government. As a result, hyperinflation that persists for a long time may lead to the government issuing a new currency entirely.

Implementation: Implementation is the noun form of the verb implement, or "to carry out or accomplish," and you'll often see it used in reference to a government plan or act. This word is used to describe the process of turning formal plans — often very detailed conceptual plans that will affect many — into reality. For example, the implementation of new parking fees means everyone has to put more money in the parking meters.

Implied Contract Terms: Implied contract terms are items that a court will assume are intended to be included in a contract, even though they are not expressly stated. Businesspeople generally do not want to rely upon a court's interpretation of implied terms, so a good contract will often be very lengthy so that as many material items as possible are written into the contract. However, when it is not possible to cover every possible detail, a lawyer may appeal that such terms were implied in order to give force to the intent of the contract.

Incentives: An incentive is something that motivates an individual to perform an action. The study of incentive structures is central to the study of all economic activities (both in terms of individual decision-making and in terms of co-operation and competition within a larger institutional structure). Economic analysis, then, of the differences between societies (and between different organizations within a society) largely amounts to characterizing the differences in incentive structures faced by individuals involved in these collective efforts. Ultimately, incentives aim to provide value for money and contribute to organizational success.

Income Gap: (or) Income inequality is the unequal distribution of household or individual income across the various participants in an economy. Income inequality is often presented as the percentage of income to a percentage of population. For example, a statistic may indicate that 70% of a country's income is controlled by 20% of that country's residents.

Income tax: If you earn money in any capacity, you will probably pay income tax on it. From a monthly wage to letting a second property or receiving the jobseekers' allowance - all are taxable. Anyone who hides a profit they are earning is committing a criminal offence - so it is well worth knowing what the rules are. The amount of tax you pay varies depending on the allowances and rates set by the chancellor at the most recent budget.

Index: A statistical measure of the value of a certain portfolio of securities. The portfolio may be for a certain class of security, a certain industry, or may include the most important securities in a given market, among other options. The value of an index increases when the aggregate value of the underlying securities increases, and decreases when the aggregate value decreases. An index may track stocks, bonds, mutual funds, and any other security or investment vehicle, including other indices. An index's value may be weighted; for example, securities with higher prices or greater market capitalization may affect the index's value more than others. One of the most prominent examples of an index is the Dow Jones Industrial Average, which is weighted for price and tracks 30 stocks important in American markets.

Inflation: It is the reduction in the purchasing power of a currency. Inflation has historically occurred when a country prints too much of its currency in too short a period of time. Central banks attempt to control inflation by raising interest rates when necessary, which decreases the amount of money in circulation. Inflation is inevitable whenever wealth is created, but central banks attempt to keep it between 2% and 3% whenever possible. See also: Deflation, Disinflation, Inflation tax. ////////////////////////////////

Inheritance Tax: It's a tax on the money or assets that one inherits from an estate, as opposed to a tax on the estate itself. In the United States, inheritance taxes are levied at the state level and apply to the inheritors rather than the estate of the deceased. Generally speaking, inheritance taxes vary according to the inheritor's relationship with the deceased. For example, a spouse rarely, if ever, is responsible for an inheritance tax. It should not be confused with an estate tax, which is a tax on the estate before it is distributed.

Initial Public Offering (IPO): An initial public offering (IPO) is the first time that the stock of a private company is offered to the public. IPOs are often issued by smaller, younger companies seeking capital to expand, but they can also be done by large privately owned companies looking to become publicly traded. In an IPO, the issuer obtains the assistance of an underwriting firm, which helps determine what type of security to issue, the best offering price, the amount of shares to be issued and the time to bring it to market.

Inputs: They are resources such as people, raw materials, energy, information, or finance that are put into a system (such as an economy, manufacturing plant, computer system) to obtain a desired output. Inputs are classified under costs in accounting.

Insider trading: It's the trading of shares based on knowledge not available to the rest of the world. A famous fictional insider trader was Bud Fox in the film Wall Street. He made a killing on airline stocks when his dad told him about a crucial upcoming court decision for his airline company, Blue Star, ahead of the official announcement.

Such trading was made illegal in the UK in 1980 but suspicious share price movements are frequent and cynics believe that the practice is still rife in the City.

Intent: A determination to perform a particular act or to act in a particular manner for a specific reason; an aim or design; a resolution to use a certain means to reach an end.

Intent is a mental attitude with which an individual acts, and therefore it cannot ordinarily be directly proved but must be inferred from surrounding facts and circumstances. Intent refers only to the state of mind with which the act is done or omitted. It differs from motive, which is what prompts a person to act or to fail to act. For example, suppose Billy calls Amy names and Amy throws a snowball at him. Amy's intent is to hit Billy with a snowball. Her motive may be to stop Billy's taunts.

Internal Revenue Service: The Internal Revenue Service (IRS) is a U.S. government agency responsible for the collection of taxes and enforcement of tax laws. Established in 1862 by President Abraham Lincoln, the agency operates under the authority of the United States Department of the Treasury, and its primary purpose includes the collection of individual income taxes and employment taxes. The IRS also handles corporate, gift, excise and estate taxes. People colloquially refer to the IRS as the "tax man."

Joint Account: It's an account at a bank or a brokerage where there are two or more account holders. The holders of a joint account share all rights and responsibilities regarding the account. That is, one may deposit or withdraw money from a joint account without the consent of the other and both may be held liable for an overdraft or loss. Joint accounts are most common for married couples.

Joint and Severally Liable: Joint and several liability is when multiple parties can be held liable for the same event or act and be responsible for all restitution required. In cases of joint and several liability, a person who was harmed or wronged by several parties could be awarded damages and collect from any one, several, or all of the liable parties. The liable parties would be required to pay the entire damage award, which could be split among multiple parties or could come from just one party. Each party would be liable for part of the damages, or up to as much as all of the damages.

Keynesian Economics: It's a theory stating that government intervention is necessary to ensure an active and vibrant economy. According to this theory, government should stimulate demand for goods and services in order to encourage economic growth. It thus recommends tax cuts and increased government spending during recessions to reinvigorate growth; likewise, it recommends tax increases and spending cuts during economic expansion in order to combat inflation. Many economists believe that Keynesian economic theory is more efficient than supply-side economics, though critics point to the theory's inability to explain stagflation in the United States during the 1970s.

Legally Binding: Common legal phrase indicating that an agreement has been consciously made, and certain actions are now either required or prohibited. For example, a lease for an apartment is legally binding, because upon signing the document, the lessor and the lessee are agreeing to a number of conditions. The lessor typically agrees to provide the apartment in a certain condition for a certain length of time, and the lessee typically agrees to pay an agreed upon rent and refrain from certain destructive behaviors. The other requirement for an agreement or contract to be considered legally binding is consideration - both parties must knowingly understand what they are agreeing to.

Laissez-Faire: It's a term describing an economic theory that promotes government non-intervention. Laissez-faire theory states that most government interventions make an economy less efficient and hamper growth. According to this, government ought to restrict itself to safeguarding the right to private property. In its extreme form, it is opposed to any law limiting economic activities short of theft or extortion. Laissez-faire economists are philosophically opposed to minimum wages, protectionism, antitrust laws, and most laws intended to benefit workers at the expense of employers. Proponents of laissez-faire economics argue that it benefits employers and workers alike. For example, a man may open a mechanic shop to make money for himself, but, in the process of doing so, he may hire otherwise unemployed mechanics and service otherwise broken cars, which then facilitates business for the rest of the community. If there were environmental or wage restrictions on his business, however, he might not hire as many employees and may not start the mechanic shop at all. Critics of the theory contend that its benefits are overstated and that a laissez-faire structure without regulation lends itself to the creation of bubbles, which harms both businesses and their employees.

Leasehold: It's an accounting term used to classify an asset on a company's balance sheet that is leased. In order to be classified as a leased asset, the firm must enter into a lease agreement that is an operating lease, and not a capital lease.

The reason capital leases are not included in the leasehold account is due to their accounting treatment. Capital leases are classified as long-term assets with a matching long-term liability. Examples of an operating lease, include a lease on a building, service vehicle or even heavy equipment.

Liability: A liability is a company's financial debt or obligations that arise during the course of its business operations. Liabilities are settled over time through the transfer of economic benefits including money, goods or services. Recorded on the right side of the balance sheet, liabilities include loans, accounts payable, mortgages, deferred revenues and accrued expenses.

Limited Liability: Limited liability is a type of liability that does not exceed the amount invested in a partnership or limited liability company. The limited liability feature is one of the biggest advantages of investing in publicly listed companies. While a shareholder can participate wholly in the growth of a company, his or her liability is restricted to the amount of the investment in the company, even if it subsequently goes bankrupt and has remaining debt obligations.

It is also the legal protection available to the shareholders of privately and publicly owned corporations under which the financial liability of each shareholder for the company's debts and obligations is limited to the par value of his or her fully paid-up shares. The company itself, as a legal entity, is liable for the rest. Also called limited personal liability.

Logistics: Logistics is the general management of how resources are acquired, stored and transported to their final destination. Logistics management involves identifying prospective distributors and suppliers, and determining their effectiveness and accessibility. Ultimately, management establishes a relationship with the appropriate companies or handles its own logistics if it is more cost-effective to do so.

Macroeconomics: It's the field of economics that studies the behavior of the aggregate economy. Macroeconomics examines economy-wide phenomena such as changes in unemployment, national income, rate of growth, gross domestic product, inflation and price levels.

Macroeconomics is focused on the movement and trends in the economy as a whole, while in microeconomics the focus is placed on factors that affect the decisions made by firms and individuals. The factors that are studied by macro and micro will often influence each other, such as the current level of unemployment in the economy as a whole will affect the supply of workers which an oil company can hire from, for example.

Manufacturing: It is the process of converting raw materials, components, or parts into finished goods that meet a customer's expectations or specifications. Manufacturing commonly employs a man-machine setup with division of labor in a large scale production. //

Margin: It allows investors to buy securities by borrowing money from a broker. The margin is the difference between the market value of a stock and the loan a broker makes. Related: Security deposit (initial). In the context of hedging and futures contracts, the cash collateral deposited with a trader or exchanged as insurance against default.

Margin Account: A margin account is a brokerage account in which the broker lends the customer cash to purchase securities. The loan in the account is collateralized by the securities and cash. Because the customer is investing with a broker's money rather than his own, the customer is using leverage to magnify both gains and losses.

Market Coverage: Number of active retail and/or wholesale outlets (relative to a saturation level) that sell a specific firm's brands in a given market. Required market coverage is achieved by following concentrated marketing, differentiated marketing, or undifferentiated marketing strategy.

Merger: It's a decision by two companies to combine all operations, officers, structure, and other functions of business. Mergers are meant to be mutually beneficial for the parties involved. In the case of two publicly-traded companies, a merger usually involves one company giving shareholders in the other its stock in exchange for surrendering the stock of the first company.

Minimum wage: It is the minimum amount of compensation an employee must receive for performing labor. Minimum wages are typically established by contract or legislation by the government. As such, it is illegal to pay an employee less than the minimum wage. The minimum wage attempts to protect employees from exploitation, allowing them to afford the basic necessities of life. The minimum wage rate fluctuates between countries, and sometimes between states or provinces.

Minimum wages have drawn strong criticism from many economists, since it establishes a price floor on wages. Price floors can lead to a dead weight loss in the economy, which means that inefficiencies exist. In this case, the minimum wage might force companies to hire fewer employees, thus increasing unemployment.

Monetarism: It's a macroeconomic theory concerned with the sources of national income and the causes of inflation. The theory, proposed by and closely associated with Milton Friedman, states that the amount of money issued by a government should be kept steady, only allowing increases in the supply of money to allow for natural economic growth. Â Monetarism also states that the rate of inflation is directly determined by the supply of money available in an economy. Â Friedman believed that the government should be less focused on controlling the supply of money and more focused on maintaining price stability, a balance between monetary supply and demand.

Money Supply: It's the entire stock of currency and other liquid instruments in a country's economy as of a particular time. The money supply can include cash, coins and balances held in checking and savings accounts. Economists analyze the money supply and develop policies revolving around it through controlling interest rates and increasing or decreasing the amount of money flowing in the economy. Money supply data is collected, recorded and published periodically, typically by the country's government or central bank. Public and private sector analysis is performed because of the money supply's possible impacts on price level, inflation and the business cycle. In the United States, the Federal Reserve policy is the most important deciding factor in the money supply.

Monopoly: According to a strict academic definition, a monopoly is a market containing a single firm. In such instances where a single firm holds monopoly power, the company will typically be forced to divest its assets. Antimonopoly regulation protects free markets from being dominated by a single entity.

Monopoly is the extreme case in capitalism. Most believe that, with few exceptions, the system just doesn't work when there is only one provider of a good or service because there is no incentive to improve it to meet the demands of consumers. Governments attempt to prevent monopolies from arising through the use of antitrust laws.

Mortgage: It's a debt instrument, secured by the collateral of specified real estate property, that the borrower is obliged to pay back with a predetermined set of payments. Mortgages are used by individuals and businesses to make large real estate purchases without paying the entire value of the purchase up front. Over a period of many years, the borrower repays the loan, plus interest, until he/she eventually owns the property free and clear. Mortgages are also known as "liens against property" or "claims on property." If the borrower stops paying the mortgage, the bank can foreclose.

Mutual fund: Mutual funds are pools of money that are managed by an investment company. They offer investors a variety of goals, depending on the fund and its investment charter. Some funds, for example, seek to generate income on a regular basis. Others seek to preserve an investor's money. Still others seek to invest in companies that are growing at a rapid pace. Funds can impose a sales charge, or load, on investors when they buy or sell shares. Many funds these days are no load and impose no sales charge. Mutual funds are investment companies regulated by the Investment Company Act of 1940. Related: open-end fund, closed-end fund.

NASDAQ: It is the largest electronic exchange in the world and the second largest exchange in the United States. It was established in 1971 and was originally organized as a successor to over-the-counter "curb trading" that was previously popular in New York. As a result it was considered in some circles an over-the-counter trading system as late as the mid-1980s. NASDAQ has the highest trading volume of any exchange in the world, and is a popular exchange for technology companies. It was originally owned by the NASD (now FINRA) and was spun off in 2000 and 2001.

Nominal Interest Rate: The interest rate on an investment or loan without adjusting for inflation. The nominal interest rate is simply the interest rate stated on the loan or investment agreement. If one makes a loan at a high nominal interest rate, this does not guarantee a real profit. For example, if the nominal interest rate on a loan is 7% and the inflation rate is 4%, the real interest rate is only 3%.

Nominal Value: It's the stated value of an issued security. Nominal value in economics also refers to a value expressed in monetary terms for a specific year or years, without adjusting for inflation. When used in reference to securities, nominal value is also known face value or par value.The nominal value of a security, such as a stock or bond, remains fixed for the duration of its life. What fluctuates is the security's market value, which may be markedly different from its nominal value.

Offer: A promise that, according to its terms, is contingent upon a particular act, forbearance, or promise given in exchange for the original promise or the performance thereof; a demonstration of the willingness of a party to enter into a bargain, made in such a way that another individual is justified in understanding that his or her assent to the bargain is invited and that such assent will conclude the bargain.

The making of an offer is the first of three steps in the traditional process of forming a valid contract: an offer, an acceptance of the offer, and an exchange of consideration. (Consideration is the act of doing something or promising to do something that a person is not legally required to do, or the forbearance or the promise to forbear from doing something that he or she has the legal right to do.)

Offshore: Many countries, territories and jurisdictions have offshore financial centers (OFCs). These include well-known centers like Switzerland, Bermuda and the Cayman Islands, and less-well-known centers like Mauritius, Dublin and Belize. The level of regulatory standards and transparency differs widely among OFCs. Supporters of OFCs argue that they improve the flow of capital and facilitate international business transactions.

Oligopoly: A market structure with just a few firms controlling a high percentage of total sales, such as car manufacturing.

An oligopoly is a market form in which a market or industry is dominated by a small number of sellers (oligopolists). Oligopolies can result from various forms of collusion which reduce competition and lead to higher costs for consumers. [1] Alternatively, oligopolies can see fierce competition because competitors can realize large gains and losses at each other's expense. In such oligopolies, outcomes for consumers can often be favorable.

Because there are few sellers, each oligopolist is likely to be aware of the actions of the others. The decisions of one firm influence and are influenced by the decisions of other firms. Strategic planning by oligopolists needs to take into account the likely responses of the other market participants.

On-the-job Training: Employee training at the place of work while he or she is doing the actual job. Usually a professional trainer (or sometimes an experienced employee) serves as the course instructor using hands-on training often supported by formal classroom training.

Outputs: It is the quantity of a product that a company, sector, or economy can produce over a limited period of time. For example, if a widget factory produces 30,000 widgets in April and is open seven days a week, its output may be measured as 1,000 widgets per day. Economic output may be expressed as a monetary value and may be compared against the costs to produce the output (sometimes called the input).

Parties to a Contract: There are at least two parties involved in a contract: the promisor, promisee and, sometimes, a third party beneficiary may be named. Each party has a different obligation to the contract terms. The beneficiary in a contract generally does not have the same level of responsibility for the contract's performance.///////////////////////////////////////

Payroll: Payroll is the sum total of all compensation a business must pay to its employees for a set period of time or on a given date. It is usually managed by the accounting department of a business; small-business payrolls may be handled directly by the owner or an associate. Payroll can also refer to the list of employees of a business and the amount of compensation due to each of them. It is a major expense for most businesses and is almost always deductible as such. Payroll can differ from one pay period to another due to overtime, sick pay and other variables.

Peak: A peak, compared to trough, is the highest point between the end of an economic expansion and the start of a contraction in a business cycle. The peak of the cycle refers to the last month before several key economic indicators, such as employment and new housing starts, begin to fall. It is at this point when real GDP spending in an economy is at its highest level.

Performance Appraisals: The process by which a manager or consultant (1) examines and evaluates an employee's work behavior by comparing it with preset standards, (2) documents the results of the comparison, and (3) uses the results to provide feedback to the employee to show where improvements are needed and why. Performance appraisals are employed to determine who needs what training, and who will be promoted, demoted, retained, or fired.

PEST Analysis: A type of situation analysis in which political-legal (government stability, spending, taxation), economic (inflation, interest rates, unemployment), socio-cultural (demographics, education, income distribution), and technological (knowledge generation, conversion of discoveries into products, rates of obsolescence) factors are examined to chart an organization's long-term plans. See also SWOT analysis.

Planning Cycle: A planning cycle is the process of combining different aspects of planning into one synthetic unit. Any plan should be practical and cost-effective. A planning cycle commences by analyzing whether any plan is likely to succeed or not.

Planning Process: It is the development of goals, strategies, task lists and schedules required to achieve the objectives of a business. The planning process is a fundamental function of management and should result in the best possible degree of need satisfaction given the resources available.

Planning: 1. A basic management function involving formulation of one or more detailed plans to achieve optimum balance of needs or demands with the available resources. The planning process (1) identifies the goals or objectives to be achieved, (2) formulates strategies to achieve them, (3) arranges or creates the means required, and (4) implements, directs, and monitors all steps in their proper sequence.

2. The control of development by a local authority, through regulation and licensing for land use changes and building.

Poverty trap: A situation faced by low income households, when an increase in wages leads to a decrease in disposable income. This happens because the increase in income leads to a loss of government benefits or an increase in SEE taxation greater than the increase in earnings.

In the developing world, many factors can contribute to a poverty trap, including: limited access to credit and capital markets, extreme environmental degradation (which depletes agricultural production potential), corrupt governance, capital flight, poor education systems, disease ecology, lack of public health care, war and poor infrastructure.

Price: It is a value that will purchase a finite quantity, weight, or other measure of a good or service. As the consideration given in exchange for transfer of ownership, price forms the essential basis of commercial transactions. It may be fixed by a contract, left to be determined by an agreed upon formula at a future date, or discovered or negotiated during the course of dealings between the parties involved. In commerce, price is determined by what (1) a buyer is willing to pay, (2) a seller is willing to accept, and (3) the competition is allowing to be charged.

Privatization: It may have several meanings. Primarily, it is the process of transferring ownership of a business, enterprise, agency, public service, or public property from the public sector (a government) to the private sector, either to a business that operates for a profit or to a nonprofit organization. It may also mean the government outsourcing of services or functions to private firms, e.g. revenue collection, law enforcement, and prison management.

Privatization has also been used to describe two unrelated transactions. The first is the buying of all outstanding shares of a publicly traded company by a single entity, making the company privately owned. This is often described as private equity. The second is a demutualization of a mutual organization or cooperative to form a joint-stock company.

Product: 1. It is any good, idea, method, information, object or service created as a result of a process and serves a need or satisfies a want. It has a combination of tangible and intangible attributes (benefits, features, functions, uses) that a seller offers a buyer for purchase. For example a seller of a toothbrush not only offers the physical product but also the idea that the consumer will be improving the health of their teeth.

2.In Law: It is a commercially distributed good that is (1) tangible personal property, (2) output or result of a fabrication, manufacturing, or production process, and (3) passes through a distribution channel before being consumed or used.

Profit: It's a company's total revenue less its operating expenses, interest paid, depreciation, and taxes. For example, suppose a widget manufacturer earns $1,000,000 in total revenue. The widgets cost $200,000 to make and his administrative and payroll expenses total $250,000. He also must subtract $50,000 in depreciation on his widget manufacturing equipment and pay $200,000 in taxes. His net income is stated as: $1,000,000 - $200,000 - $250,000 - $50,000 - $200,000 = $300,000.

Project Dashboards: In today's busy organizations, project and program managers need to know exactly how the projects they're responsible for are doing. But they also rarely have the time to read through detailed status reports covering all aspects of the project. With a Project Dashboard you no longer have to wade through 3 different reports to determine whether the production department received the widgets it needed, and got permission to hire its new employees. Instead, if the widgets had arrived but a decision on staffing was pending, you would see that the Materials gauge was in the optimum zone and that the Human Resources gauge was registering in the warning zone.

Promisee: It is a person to whom a promise has been made. 2. In general a promisee can maintain an action on a promise made to him, but when the consideration moves not from the promisee, but some other person, the latter, and not the promisee, has a cause of action, because he is the person for whose use the contract was made.

Promisor: 1. It is one who makes a promise. 2. The promisor is bound to fulfill his promise, unless when it is contrary to law, as for example a promise to steal or to commit an assault and battery; when the fulfillment is prevented by the act of God, as where one has agreed to teach another drawing and he loses his sight, so that he cannot teach it; when the promisee prevents the promisor from doing what he agreed to do; when the promisor has been discharged from his promise by the promisee, when the promise, has been made without a sufficient consideration; and, perhaps, in some other cases, the duties of the promisor are at an end.

Promotion: 1.In terms of a career, a promotion refers to the advancement of an employee's rank or position in a hierarchical structure.

2. In sales, promotion refers to a different sort of advancement. A sales promotion entails the features - via advertising and/or a discounted price - of a particular product or service.

Proviso: It's a condition, stipulation, or limitation inserted in a document. A condition or a provision in a deed, lease, mortgage, or contract, the performance or non-performance of which affects the validity of the instrument. It generally begins with the word provided. A proviso clause in a statute excepts something from statutory requirements, qualifies the statute, or prevents some potential area of misinterpretation from being included.

Public Relations: It's a general means of promoting a business's company image with a view to encouraging customers to buy its products and investors to buy its shares, as well, for example, as influencing government policies on issues relevant to the company. Companies often appoint a PR officer to liaise with the media in providing them with information and news about the company's activities and its record on such matters as consumer protection and environmental pollution. Sponsorship of sport and the arts, etc. represents an indirect way of building up customer goodwill towards the company's products.

Purchasing Power: Purchasing power is the value of a currency expressed in terms of the amount of goods or services that one unit of money can buy. Purchasing power is important because, all else being equal, inflation decreases the amount of goods or services you would be able to purchase.

In investment terms, purchasing power is the dollar amount of credit available to a customer to buy additional securities against the existing marginable securities in the brokerage account.//

Quality Control: Quality control is a process through which a business seeks to ensure that product quality is maintained or improved and manufacturing errors are reduced or eliminated. Quality control requires the business to create an environment in which both management and employees strive for perfection. This is done by training personnel, creating benchmarks for product quality, and testing products to check for statistically significant variations.

A major aspect of quality control is the establishment of well-defined controls. These controls help standardize both production and reactions to quality issues. Limiting room for error by specifying which production activities are to be completed by which personnel reduces the chance that employees will be involved in tasks for which they do not have adequate training.

Rate of return: The annual income from an investment as a percentage of the original investment. In finance, return is a profit on an investment. It comprises any change in value and interest or dividends or other such cash flows which the investor receives from the investment. It may be measured either in absolute terms (e.g., dollars) or as a percentage of the amount invested. The latter is also called the holding period return. A loss instead of a profit is described as a negative return.

Ratification: It is the acceptance or confirmation of an act or an agreement that was signed (executed) by the confirming party itself. A treaty, for example, is not enforceable or valid until the ratification process is complete.

Raw Materials: Raw materials are materials or substances used in the primary production or manufacturing of goods. Raw materials are often referred to as commodities, which are bought and sold on commodities exchanges around the world. Raw materials are sold in what is called the factor market, because raw materials are factors of production along with labor and capital.

Real interest rate: The real interest rate is the rate of interest an investor expects to receive after allowing for inflation. It can be described more formally by the Fisher equation, which states that the real interest rate is approximately the nominal interest rate minus the inflation rate. If, for example, an investor were able to lock in a 5% interest rate for the coming year and anticipated a 2% rise in prices, they would expect to earn a real interest rate of 3%. This is not a single number, as different investors have different expectations of future inflation. Since the inflation rate over the course of a loan is not known initially, volatility in inflation represents a risk to both the lender and the borrower.

Real values: In economics, a nominal value is an economic value expressed in historical nominal monetary terms. By contrast, a real value is a value that has been adjusted from a nominal value to remove the effects of general price level changes over time and is thus measured in terms of the general price level in some reference year (the base year). For example, changes in the nominal value of some commodity bundle over time can happen because of a change in the quantities in the bundle or their associated prices, whereas changes in real values reflect only changes in quantities. The process of converting from nominal to real terms is known as inflation adjustment.

Recession: A recession is a significant decline in activity across the economy, lasting longer than a few months. It is visible in industrial production, employment, real income and wholesale-retail trade. The technical indicator of a recession is two consecutive quarters of negative economic growth as measured by a country's gross domestic product (GDP), although the National Bureau of Economic Research (NBER) does not necessarily need to see this occur to call a recession.

Recovery, economic: An economic recovery is a period of increasing business activity signaling the end of a recession. Much like a recession, an economic recovery is not always easy to recognize until at least several months after it has begun. Economists use a variety of indicators, including gross domestic product (GDP), inflation, financial markets and unemployment to analyze the state of the economy and determine whether a recovery is in progress.

Recruiting: It is the process of finding and hiring, from within or outside of an organization, the best-qualified candidate for a job opening, in a timely and cost effective manner. The recruitment process includes analyzing the requirements of a job, attracting employees to that job, screening and selecting applicants, hiring, and integrating the new employee to the organization.

Representation (in a contract): It is acting in place of, or standing for another party by an authorization or legal right through an agent or proxy on behalf of a principal**;** through a counsel on behalf of a client**;** though an administrator or executor on behalf of a deceased**;** or through an elected representative in a legislative body on behalf of the electorate in his or her constituency. It is also a presentation of facts or reasons expressed in words or inferred from conduct to induce a particular course of action, such as signing of a contract. Representation includes any condition, warranty, or undertaking, whether oral or written. A person induced into a contract on the basis of an untrue or misleading representation may sue for rescission of the contract and/or for damages.

Repudiation: Disputing the validity of a contract and refusing to honor its terms. In investing, repudiation is most relevant in fixed income securities, particularly sovereign debt. Fixed income instruments are fundamentally contracts where the borrower lends a certain amount of principal in return for payments of interest and principal on a preset schedule. Repudiation occurs if the borrower refuses to honor this contract and stops making the agreed upon payments.

Regressive tax: It is a tax imposed in such a manner that the tax rate decreases as the amount subject to taxation increases. "Regressive" describes a distribution effect on income or expenditure, referring to the way the rate progresses from high to low, so that the average tax rate exceeds the marginal tax rate. In terms of individual income and wealth, a regressive tax imposes a greater burden (relative to resources) on the poor than on the rich: there is an inverse relationship between the tax rate and the taxpayer's ability to pay, as measured by assets, consumption, or income. These taxes tend to reduce the tax burden of the well-to-do (people with higher ability to pay), as they shift the burden disproportionately to the needy (those with lower ability to pay).

Resources: It is an economic or productive factor required to accomplish an activity, or as means to undertake an enterprise and achieve desired outcome. Three most basic resources are land, labor, and capital; other resources include energy, entrepreneurship, information, expertise, management, and time.

Return: A return is the gain or loss of a security in a particular period. The return consists of the income and the capital gains relative on an investment, and it is usually quoted as a percentage. The general rule is that the more risk you take, the greater the potential for higher returns and losses.

Schedule: 1.Auxiliary, explanatory, or supplemental document that forms part of a principal document, such as a list of individual items (with their descriptions and values) covered by an insurance policy, or a depreciation schedule that provides supporting details to a financial statement.

2.Timetable for a program or project showing how activities and milestone events are sequenced and phased over the allotted period.

3.Written or printed catalog or list of charges, items, prices, etc., arranged or organized in alphabetical, chronological, magnitudinal, or any other classification or order.

Savings account: Saving accounts (UK: savings accounts) are accounts maintained by retail financial institutions that pay interest but cannot be used directly as money in the narrow sense of a medium of exchange (for example, by writing a check). These accounts let customers set aside a portion of their liquid assets while earning a monetary return. For the bank, money in a savings account may not be callable immediately and, in some jurisdictions, does not incur a reserve requirement. Cash in the bank's vaults may thus be used, for example, to fund interest-paying loans.

The other major types of deposit account are the transactional account (usually known as a "checking" (US) or "current" (UK) account), money market account and time deposit

Security: A security is a financial instrument that represents an ownership position in a publicly-traded corporation (stock), a creditor relationship with governmental body or a corporation (bond), or rights to ownership as represented by an option. A security is a fungible, negotiable financial instrument that represents some type of financial value. The company or entity that issues the security is known as the issuer.

Shareholder: It's an owner of shares in a limited company. In the US, called a stockholder. A shareholder or stockholder is an individual or institution (including a corporation) that legally owns a share of stock in a public or private corporation. Shareholders are the owners of a limited company. They buy shares which represent part ownership of a company. Stockholders are granted special privileges depending on the class of stock. These rights may include:

The right to sell their shares.

The right to vote on the directors nominated by the board.

The right to nominate directors (although this is very difficult in practice because of minority protections) and propose shareholder resolutions.

The right to dividends if they are declared.

The right to purchase new shares issued by the company.

The right to what assets remain after a liquidation.

Stockholders or shareholders are considered by some to be a subset of stakeholders, which may include anyone who has a direct or indirect interest in the business entity. For example, employees, suppliers, customers, the community, etc., are typically considered stakeholders because they contribute value and/or are impacted by the corporation.

Shareholders in the primary market who buy IPOs provide capital to corporations; however, the vast majority of shareholders are in the secondary market and provide no capital directly to the corporation.//

Short Selling: Short selling is the sale of a security that is not owned by the seller, or that the seller has borrowed. Short selling is motivated by the belief that a security's price will decline, enabling it to be bought back at a lower price to make a profit. Short selling may be prompted by speculation, or by the desire to hedge the downside risk of a long position in the same security or a related one. Since the risk of loss on a short sale is theoretically infinite, short selling should only be used by experienced traders who are familiar with its risks.

Six Sigma: Six Sigma is a quality-control program developed in 1986 by Motorola that emphasizes cycle-time improvement and the reduction of manufacturing defects to a level of no more than 3.4 per million. As of 2016, Six Sigma has evolved into a more general business-management philosophy focused on meeting customer requirements, improving customer retention, and improving and sustaining business products and services. Six Sigma is applicable to all industries, and a number of vendors, including Motorola itself, offer Six Sigma training; special certifications include yellow belt, green belt and black belt.

Stamp duty (equities): When you buy a share, you have to pay stamp duty. Purchases of UK equities are subject to a levy of 0.5%.

You pay a higher rate of 1.5% when you use certain special arrangements to transfer shares to be held by a third party. This is a government tax on share transactions.

In the United Kingdom, stamp duty is a form of tax charged on instruments (that is, written documents), and historically required a physical stamp to be attached to or impressed upon the instrument in question. The more modern versions of the tax no longer require a physical stamp. The scope of stamp duty has been reduced dramatically in recent years.

Stock: It is the American name for an ordinary share. The stock (also capital stock) of a corporation constitutes the equity stake of its owners. It represents the residual assets of the company that would be due to stockholders after discharge of all senior claims such as secured and unsecured debt. Stockholders' equity cannot be withdrawn from the company in a way that is intended to be detrimental to the company's creditors.

Stockbroker: A stockbroker, also called a Registered Representative, investment advisor or simply, broker, is a professional individual who executes buy and sell orders for stocks and other securities through a stock market, or over the counter, for a fee or commission. Stockbrokers are usually associated with a brokerage firm and handle transactions for retail and institutional customers. Brokerage firms and broker-dealers are also often referred to as stockbrokers.

Stocks and Shares: The capital stock (or stock) of an incorporated business constitutes the equity stake of its owners. It represents the residual assets of the company that would be due to stockholders after discharge of all senior claims such as secured and unsecured debt. Stockholders' equity cannot be withdrawn from the company in a way that is intended to be detrimental to the company's creditors.

Shares. The stock of a corporation is partitioned into shares, the total of which are stated at the time of business formation. Additional shares may subsequently be authorized by the existing shareholders and issued by the company. In some jurisdictions, each share of stock has a certain declared par value, which is a nominal accounting value used to represent the equity on the balance sheet of the corporation. In other jurisdictions, however, shares of stock may be issued without associated par value.

Strategy: 1Is is a method or plan chosen to bring about a desired future, such as achievement of a goal or solution to a problem. It also is the art and science of planning and marshalling resources for their most efficient and effective use. The term is derived from the Greek word for generalship or leading an army.

Sub-prime loans: Sub-prime loans or mortgages are those given to borrowers with poor credit records who are often unable to obtain more conventional loans. Borrowers put down little or no cash themselves. There has been an explosion of sub-prime mortgages in the United States in recent years. While initially this was seen as a good thing, allowing more people to buy their own homes, it has now exploded into a crisis as more and more borrowers default.

Homes are being repossessed and banks are now having to write off the sub-prime debt. The effect has spread far beyond the US as banks throughout the world have bought these sub-prime loans, often packaged up in pools of debt called collateralized debt obligations.

Supply and demand: Fundamentally economics is about the allocation of scarce resources based on supply of, and demand for, goods and services. Price is used to balance the supply and demand for a particular good.

In general, consumers will buy less beer as it gets more expensive. Suppliers (breweries in this case) on the other hand, will start fermenting hops like mad to produce more and rake in extra cash. The price at which the quantity demanded equals the quantity supplied is the market price.

Takeover: When one company tries to take over another, it will usually offer a price higher than the current market price, so shareholders of the target company stand to make instant profits.

Takeovers mean high share trading volumes and so generate fat fees for the brokers and banks involved. In business, a takeover is the purchase of one company (the target) by another (the acquirer, or bidder). In UK, the term refers to the acquisition of a public company whose shares are listed on a stock exchange, in contrast to the acquisition of a private company.

Takeover (**Hostile takeovers:** A "hostile takeover" allows a bidder to take over a target company whose management is unwilling to agree to a merger or takeover. A takeover is considered "hostile" if the target company's board rejects the offer, and if the bidder continues to pursue it, or the bidder makes the offer directly after having announced its firm intention to make an offer. Development of the hostile tender is attributed to Louis Wolfson.

Talent Management: It is an organization's attempts to recruit, keep, and train the most gifted and highest quality staff members that they can find, afford and hire. Talent management gives business managers an especially important role to play in recruiting, developing and retaining desirable staff members.

Tax haven: A country or area with low tax rates where companies may hold investments to try to minimize the amount of tax they have to pay. Examples include the Bahamas and the Cayman Islands.

A tax haven is a state, country, or territory where, on a national level, certain taxes are levied at a very low rate or not at all. It also refers to countries which have a system of financial secrecy in place. It should be noted that financial secrecy can be used by foreign individuals to circumvent certain taxes (such as inheritance tax on money, and income tax of the interest on the money you have on your bank account). Because the requirement of paying taxes on these funds cannot be transmitted, as the funds themselves are invisible to the country the individual is from, such taxes can be avoided.

Tax Rate: A tax rate is the percentage at which an individual or corporation is taxed. The tax rate is the tax imposed by the federal government and some states based on an individual's taxable income or a corporation's earnings. The United States uses a progressive tax rate system, where the percentage of tax increases as taxable income.

Tax Return: A tax return is the tax form or forms used to report income and file income taxes with tax authorities such as the Internal Revenue Service (IRS) in the United States. Tax returns allow taxpayers to calculate their tax liability and remit payments or request refunds, as the case may be. In most countries, tax returns must be filed every year for an individual or business that received income during the year, whether through wages, interest, dividends, capital gains or other profits.

Taxes: Taxes are generally an involuntary fee levied on individuals or corporations that is enforced by a government entity, whether local, regional or national in order to finance government activities. In economics, taxes fall on whomever pays the burden of the tax, whether this is the entity being taxed, like a business, or the end consumers of the business's goods.

Term: 1. In the first case it is the lifespan assigned to an asset or a liability, over which the value of the asset/liability is expected to either grow or shrink, depending on its nature. In the second case it is the period of time assigned as the lifespan of any investment. In the case of debt, the time it takes for all payments to be made by the borrower and received by the lender. In the case of an equity investment, it is the time that elapses between the acquisition of the equity and its sale or removal from holdings for another reason. ///

Trade: The voluntary exchange of goods and/or services for money or an equivalent good or service. In ancient times and frequently even now, trade was conducted through the bartering of goods. In developed economies, trades are usually made with an intermediary, especially money or credit. Trade is regulated by laws of the particular jurisdiction in which a trade is made. Common restrictions include prohibitions on selling stolen property or non-existent goods. In modern finance, trade especially refers to trade on securities exchanges. For example, the sale of a stock from one investor to another is known as a trade. This type of trade is regulated by special agencies in the appropriate jurisdiction; trade in the United States is regulated by the SEC, among other organizations

Trade Balance: The balance of trade (BOT) is the difference between a country's imports and its exports for a given time period. The balance of trade is the largest component of the country's balance of payments (BOP). Economists use the BOT as a statistical tool to help them understand the relative strength of a country's economy versus other countries' economies and the flow of trade between nations. The balance of trade is also referred to as the trade balance or the international trade balance.

Trade Deficit: Trade deficit is an economic measure of a negative balance of trade in which a country's imports exceeds its exports. A trade deficit represents an outflow of domestic currency to foreign markets.

Trade Surplus: It is a trade surplus is an economic measure of a positive balance of trade, where a country's exports exceed its imports. A trade surplus represents a net inflow of domestic currency from foreign markets and is the opposite of a trade deficit, which represents a net outflow. Balancing international trade is an important economic factor for a country; when a nation has a trade surplus, its exports exceed its imports during a specified period of time.

Trough: A trough is the stage of the economy's business cycle that marks the end of a period of declining business activity and the transition to expansion. In general, the business cycle is said to go through expansion, then a peak, followed by contraction and then finally bottoming out with the trough. It is also the lowest point in the economic cycle. The trough forms after a period of contraction ends and before a period of expansion begins.

Turnover: The total sales of a company over a stated period. In business, revenue is the income that a business has from its normal business activities, usually from the sale of goods and services to customers. Revenue is also referred to as sales or turnover. Some companies receive revenue from interest, royalties, or other fees. Revenue may refer to business income in general, or it may refer to the amount, in a monetary unit, received during a period of time, as in "Last year, Company X had revenue of $42 million." Profits or net income generally imply total revenue minus total expenses in a given period. In accounting, revenue is often referred to as the "top line" due to its position on the income statement at the very top.

Underwriter (insurance): A person who examines a risk, decides whether it can be insured, and if so for how much.

'An Insurance Underwriter' is a financial professional that evaluates the risks of insuring a particular person or asset and uses that information to set premium pricing for insurance policies. Insurance underwriters are employed by insurance companies to help price life insurance, health insurance, property/casualty insurance and homeowners insurance, among others.

Underwriters use computer programs and actuarial data to determine the likelihood and magnitude of a payout over the life of the policy. Higher-risk individuals and assets will have to pay more in premiums to receive the same level of protection as a (perceived) lower-risk person or asset.

Unemployment: Unemployment occurs when people are without work and actively seeking work. The unemployment rate is a measure of the prevalence of unemployment and it is calculated as a percentage by dividing the number of unemployed individuals by all individuals currently in the labor force. During periods of recession, an economy usually experiences a relatively high unemployment rate. According to International Labor Organization report, more than 200 million people globally or 6% of the world's workforce were without a job in 2012.

Underwriting: Underwriting is the process by which investment bankers raise investment capital from investors on behalf of corporations and governments that are issuing either equity or debt securities. The word "underwriter" originally came from the practice of having each risk-taker write his name under the total amount of risk he was willing to accept at a specified premium. This centuries-old practice continues, in a way, as new issues are usually brought to market by an underwriting syndicate, in which each firm takes the responsibility, as well as the risk, of selling its specific allotment.

Value added tax (VAT): VAT at 17.5%, or more in other countries, is normally included in the price of the goods or services you buy, although some goods do not attract VAT. Some goods are zero-rated, including food, books, newspapers and magazines, children's clothes and equipment for disabled people. On some other goods - including children's car seats and domestic fuel or power - you pay a reduced rate of 5%.

Warranty: It is a guarantee that the manufacturer of a product will repair damage or defects for free for a certain period of time. For example, a computer often comes with a warranty for a year. If the computer breaks in the first year of ownership, the manufacturer will repair or replace it without cost to the computer owner. Most warranties are limited warranties, meaning that there is a maximum amount the manufacturer will pay for repairs and/or that certain damage is not covered by the warranty. For example, a warranty on a computer generally does not cover water damage. Some warranties come with a product while others are purchased separately. Often, one may purchase an unlimited warranty, which has no constraints, or an extended warranty, which has a longer expiry, in addition to the ordinary warranty.

Windfall: It is a sudden, unexpected profit or gain. A windfall may occur, for example, after a company announces an earnings surprise and its stock consequently jumps significantly. Companies may also experience windfall when demand for their products skyrockets; for example, an umbrella manufacturer may see windfall during an especially rainy year.

Windfall Profits Tax: A tax on profits seen as excessive. For example, a windfall profits tax may be imposed on oil companies when their profits rise above a certain amount. The idea behind a windfall profits tax is to encourage the taxed persons or companies to lower their prices, which is thought to be good for consumers. However, it may have the effect of reducing investment because the after tax profit may not be worth the effort.

Without Prejudice: Law phrase: Without abandonment of a claim, privilege, or right, and without implying an admission of liability.

In the first case, When used in a document or letter, without prejudice means that what follows (a) cannot be used as evidence in a court case, (b) cannot be taken as the signatory's last word on the subject matter, and (c) cannot be used as a precedent. Contents of such documents normally cannot be disclosed to the courts but, when a party proposes to settle a dispute out-of-court, it is the genuineness of the effort that determines whether the proposal can disclosed or not, and not whether the words without prejudice were used.

(2) When a court case is dismissed, or a court order is issued without prejudice, it means that a new case may be brought or a new order issued on the same basis as the dismissed case or the original order.

Windfall Shares: They are shares given without charge to the owners of a mutually-owned company when that company is in the process of demutualizing. Because the owners will no longer be the owners when the company demutualizes, windfall shares are designed to compensate them for their previous ownership. This is intended to encourage goodwill. It also gives the former owners a continued stake in the company.