

# BUDGET basics

## GLOSSARY OF TERMS

Here are some terms you might want to be familiar with if you're becoming a news director for the first time. Adapted from *Investor Words* ([www.investorwords.com](http://www.investorwords.com)) and *About.com's Business Management Glossary* (<http://management.about.com/cs/begintomanage//blbglossary.htm>):

### Accounting codes

Numbers used to track spending by line item and sub-category. For example, all travel might be coded as 52, with lodging as 52-01, food as 52-02 and so on.

### Accounts payable

Money the company owes for goods or services it has received but not yet paid for; another term for outstanding bills.

### Accounts receivable

Money owed to the company for products and services it has delivered but that hasn't been paid.

### Accrual basis accounting

The most commonly used accounting method reports income when it's earned and expenses when they are incurred. Includes an estimate of revenues reported that may not ever be received, called a bad debt expense.

### Assets

Cash or anything of economic value owned by a business, especially items that could be converted to cash. Examples are accounts receivable, equipment, real estate and other property.

### Balance sheet

A financial document showing the company's current assets and liabilities.

### Capital budget

A plan to pay for long-term outlays, such as fixed assets like buildings and equipment.

## Cash basis accounting

An accounting system that reports income when received and expenses when paid.

## Cash flow

A measure of a company's financial health that equals cash receipts minus cash payments over a given period of time.

## Current assets

The sum of cash, tangible assets, accounts receivable and anything else that that could be converted to cash in less than one year. Current or short-term assets are important to most companies as a source of funds for day-to-day operations.

## Depreciation

A non-cash expense that reduces the value of an asset as a result of wear and tear, age or obsolescence. Most assets lose their value over time (in other words, they depreciate), and must be replaced once the end of their useful life is reached.

## Fixed asset

A long-term, tangible asset held for business use and not expected to be converted to cash in the current or upcoming fiscal year, such as equipment, buildings, property and furniture.

## General ledger

A book summarizing all of a company's financial transactions, through offsetting debit and credit accounts.

## Gross or net profit margin

Gross or net profit divided by sales, expressed as a percentage.

## Gross profit

Calculated as sales minus all costs directly related to those sales. These costs can include supplies, materials, salaries, marketing and other expenses.

## Intangible asset

Something of value that cannot be physically touched, such as a brand, franchise, trademark or patent. Opposite of tangible asset.

## Liabilities

Financial obligations that have a negative value, such as money still owed for equipment purchases.

## Long-term assets

The value of a company's property, equipment and other capital assets expected to be usable for more than one year, minus depreciation.

## Net income

Net income is total revenue minus total expenses, or what's left of the monies received after all debts have been paid. If net income is positive, it is also called net profit. If it's a negative number, it's a net loss.

## Operating budget

A detailed estimate of the total resources required for the business to operate, including salaries, expenses and overhead.

## Overhead

Ongoing administrative expense of running a business, like rent, utilities and insurance.

## Profit and loss (P&L) statement

An official financial document published by a public company, showing earnings, expenses and net profit over a given period of time, usually a quarter or year.

## ROI (return on investment)

A measure of a company's profitability, equal to a fiscal year's income divided by long-term debt. ROI measures how effectively the firm uses its capital to generate profit; the higher the ROI, the better. The term may also be used in deciding whether to invest in a new product by considering the ROI, or whether it will bring in more than it costs to produce.

## Tangible asset

Physical assets such as equipment, buildings and property. Also accounts receivable usually are considered tangible assets for accounting purposes. Opposite of intangible asset.

## Zero-base budget

Method of budgeting under which all spending must be justified each year.