

Glossary

Balance sheet: reflects the financial position of a business at a specific date

Balancing: summarising accounts in the General Ledger into the amount each year

Bank statement: a record of the account holder's transactions over a set period of time

Borrowed capital: any money borrowed by an entrepreneur or business owner for the purpose of establishing and running a business

Break-even point: the point at which the income and expenses of a business are equal, so there is no profit or loss.

Capital market: where money, in the form of shares, is obtained to start a large business

Capital: the initial contribution made by the owner of a business – this can take the form of money or useful items that might be needed in the business, e.g. a car

Cash receipts: all money received in a business is classified as cash receipts

Cash register roll: a cash register (or till) is an electronic device for calculating and working out sales transactions and a paper roll within the cash register is used for printing out the receipt

Cash register slip: proof that a transaction has taken place

Cash register tape: paper tape included in a cash register used to print out receipts after a sale (see also cash register roll)

Cheque counterfoil: the part of the cheque that remains in the cheque book that is used to record transactions

Cheque: a written order to pay a specific amount of money from a current bank account to the person whose name is written on it

Direct tax: drawn from personal income tax payments from individuals and from taxes paid by businesses on their profits.

Double entry principle: each transaction is recorded twice in the General Ledger: once on the debit side of an account and once on the credit side of a different account.

Economic development: higher standard of living due to an increase in the number of goods and services produced.

Factor market: the place where factors of production are bought and sold

Financial market: any type of financial transaction that helps a business grow or helps an investor to make money

Globalisation: businesses operate freely and easily all over the world. Businesses increase profits by offering wide ranges of goods and services to consumers in foreign countries and argue that they are able to promote economic growth.

Inventory: A complete list of items that a businesses has in its possession such as property, goods in stock, or the contents of a building

Law of demand: when the price of a product increases, the demand for that product will decrease. When the price of a product decreases, the demand for that product will increase.

Law of supply: when the price of a product increases, the supply of that product will increase.

Ledger: a name given to the collection of the accounts of a business

Market economy: in a market economy the principles of supply and demand determine: what is produced, how it is produced, by whom it is produced and who the consumers are likely to be.

Mixed economy: a mixture of private and government ownership or control. South Africa is a good example of a mixed economy as there is a balance of free market forces and necessary government controls.

Open economy: involved in the production process within its own country, as well as other countries around the world.

Planned economy: an economic system where the government or another authority makes decisions about the allocation of resources, what and how much will be produced, how much will be invested in technology and infrastructure; the pricing of goods

Primary sector: sector of the economy that extracts or harvests products from the earth.

Secondary sector: all of a country's manufacturing, processing and construction falls within the secondary sector.

Stock: the goods or products kept on the premises of a business that is available for sale or delivery

SWOT analysis: the study of strengths, weaknesses, opportunities and threats carried out when starting a new business.

Tertiary sector: this sector provides services to the general population and to businesses. Activities associated with this sector include retail and wholesale sales, transportation and distribution, restaurants and entertainment, media, tourism, etc.

Trade discount: a reduction on the original selling price of the goods. Businesses negotiate trade discounts when they purchase large quantities of goods from specific suppliers.

Trial balance: a list of accounts that appears in the General Ledger, showing each account's balance. A way to see if the double entry principle has been applied, is to prepare a trial balance.