



*The Abdus Salam
International Centre for Theoretical Physics*



2140-1

**Workshop on Entrepreneurship for Physicists and Engineers from
Developing Countries**

3 - 7 May 2010

Financial Terminology Fundamentals

Richard Brooks
*FD Solutions
London
UK*

Financial Terminology Fundamentals

Richard Brooks CA - FDSolutions

Terminology



A few of the basics

- In simple accounting there are only 4 types of balances
- Assets
- Liabilities
- Income
- Expenditure

A few of the basics

- Those 4 types fall into the debits and credits as follows
- Debit – assets and expenses
- Credit- liabilities and income

What you really need to know

- Gross Margin and costs of goods sold
 - Sales
 - Costs of goods sold (costs of sales)
 - Gross margin

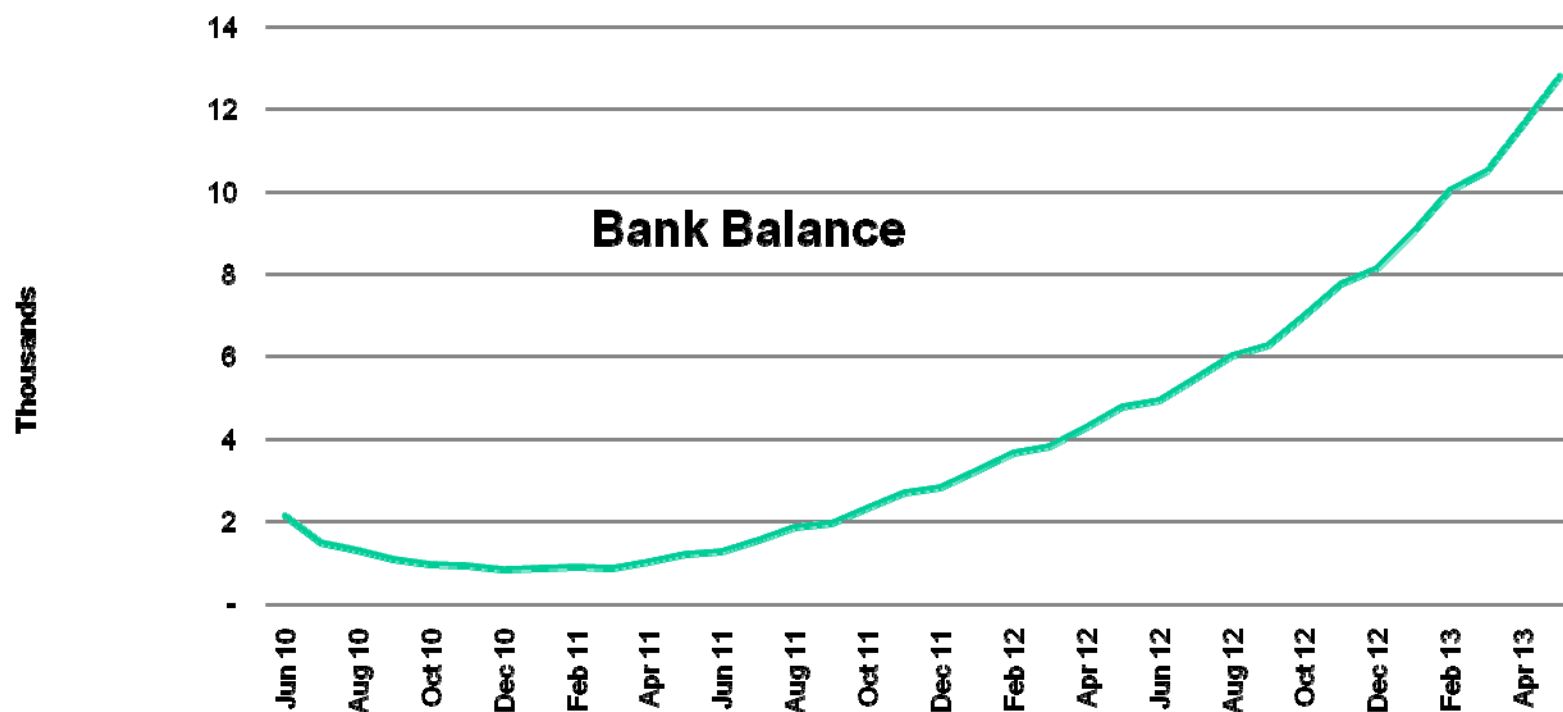
The difference between cashflow and profit

PROFIT & LOSS EXTRACT					
A	Sales	1,000			
B	Costs of goods sold	500			
C	Gross Margin	500	A - B		
D	Gross margin %	50.0%	(A - B) / A		
	CASHFLOW	Month1	Month2	Month3	Month4
	Cash inflows				
	Customer receipt	0	0	0	1000
	Cash outflows				
	Payment to supplier	-500			
	Net inflow/(outflow	-500	0	0	1000
	balance b/fwd	0	-500	-500	-500
	balance c/fwd	-500	-500	-500	500

EBITDA

- Earnings before interest, tax, depreciation and amortisation
- Approximate indicator of operating cashflow.

Cashflow breakeven



Unmanned technology business

Balance Sheet & Cash Flow

Cashflow £000s	Jun 10	Jul 10	Aug 10	Sep 10	Oct 10	Nov 10	Dec 10	Jan 11	Feb 11	Mar 11	Apr 11	May 11
Inflows												
Debtors	1	8	38	49	122	180	226	254	289	340	401	466
VAT	20			22								
Shareholder Investment	2,000	-	-	-	-	-	-	-	-	-	-	-
HMRC (R&D Tax Credit)	-	101	-	-	-	-	-	-	-	-	-	-
Other												
Total inflow	2,021	109	38	70	122	180	226	254	289	340	401	466
Outflows												
Payments to suppliers	(14)	(96)	(81)	(160)	(74)	(76)	(77)	(75)	(87)	(89)	(91)	(93)
Net Wages & Salaries	(90)	(92)	(94)	(100)	(102)	(104)	(104)	(110)	(110)	(110)	(110)	(110)
PAYE	(30)	(45)	(45)	(46)	(49)	(50)	(51)	(51)	(54)	(54)	(54)	(54)
VAT							(77)			(119)		
Loan Payments	-	(510)	-	-	-	-	-	-	-	-	-	-
Total outflow	(134)	(743)	(220)	(306)	(225)	(229)	(309)	(236)	(251)	(372)	(255)	(257)
Net trading cash inflow/(o	(113)	(123)	(183)	(236)	(103)	(49)	(83)	18	37	(31)	146	209
Closing Balance	2,131	1,498	1,315	1,079	977	927	844	863	900	869	1,014	1,223

Your turn

- I have handed out a sheet of definitions
- I have also handed out a sheet of financial terms which I will also leave displayed here
- Your task is to match the correct term with its definition. Write the term in the box to the right of the definition
- When you are finished, let us know by putting your hands in the air.
- There will be a prize for the first team with a correct answer

Financial terms	Financial terms
Balance sheet	Cash breakeven
Budget	Capital employed
Cash flow statement	Current assets
Depreciation	Current liabilities
Equity	EBITDA
Fixed assets	Fixed Costs
Gross margin	Liabilities
Overheads	Profit and loss account
Working capital	Variable costs
Share capital	