PLAIN ENGLISH – JARGON BUSTER
FOR FINANCE LANGUAGE

ACCOUNTS: A set of financial records, either kept on paper or on a computer.

ANNUAL ACCOUNTS: These should be drawn up at the end of every financial year and summarise the year's financial activity. Usually presented at a group AGM.

ACCOUNTING PERIOD: A specific period of time for recording and reporting financial activity; usually a month or a year.

ASSET: Something you own. Any possession or claim on others which is of value to the organisation.

AUDIT: An independent examination of activities (e.g. financial records) which concludes whether they are in good order or not.

AUDIT TRAIL: Documentation needed to provide a complete record of any transactions undertaken and is used for traceability. When purchasing goods, the audit trail should include: order form; delivery note; invoice; details of cheque used for payment .

AUTHORISATION: The process of approving transactions, normally the decision to purchase or commit expenditure. Careful authorisation is a way of making sure that spending is appropriate and in line with the budget.

BALANCE SHEETS: A summary of how much an organisation owns (i.e. 'assets') and how much it owes to other people (i.e. 'liabilities') at any particular date.

BANK RECONCILIATIONS: Each time a bank statement is received, a check should be made to ensure items on the statement can be reconciled with entries in the organisation's cash book and cheque journal. This includes taking into account cheques issued but not yet through the account to get a true picture of the group's financial situation.

BANK STATEMENT: A report produced by the bank, which lists all the receipts and payments made into a specific bank account and the balance that is held in the account on a specific date.

BUDGET: An amount of money that an organisation plans to raise and spend for a set purpose over a given period of time.

BUDGET HEADINGS: Categories that all spending can be assigned to. Examples include: salaries, stationery, premises expenses and utility bills.

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CAPITAL EXPENDITURE: Expenditure on equipment, property and other fixed assets which will be used to support activities over more than one year.

CASH BOOK: Used to record all income received, whether in the form of cash, cheques or bank transfers. Records may be maintained in a book, a spreadsheet or software package.

CHEQUE JOURNAL: Used to record all expenditure, whether in the form of cheques or bank transfers. Records may be maintained in a book, spreadsheet or software package.

CHARITY COMMISSION: Is the independent regulator of charities in Northern Ireland, the Commission regulates charities operating in Northern Ireland and requires all registered charities to adhere to the accounting and reporting requirements

DONATION IN KIND: A donation of goods or services, rather than a donation of money.

EXPENDITURE: All money spent and committed over the course of a financial year.

FINANCIAL MANAGEMENT: The process which trustees, managers, management committees and boards use to make sure that financial resources are used to achieve an organisation's objectives efficiently, effectively and accountably.

FINANCIAL RECORDS: Details kept of every transaction (relating to money received and money paid out). These details should be kept in an orderly manner and analysed under consistent and comprehensive headings.

FINANCIAL (OR ACCOUNTING) YEAR: Organisations must assign a date to mark the beginning and end of each 12 month period in which their finances are to be managed. At the end of each year, annual accounts must be produced.

FINANCIAL REPORTS: Summaries of income and expenditure produced on a regular basis (monthly, bi-monthly or quarterly) together with any relevant information that helps to explain the figures.

INCOME: All money received by and due to an organisation.

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INCOME SOURCE: The various people and bodies from whom income is received. This includes: grants from funders; donations; money raised by fundraising events and interest from investments or rent from property.

INVOICE: A written request for payment received from a supplier for specific goods or services.

LIABILITY: An amount owed by your organisation to others, including loans, accruals, grants received in advance and outstanding invoices.

OPENING BALANCE: The amount of money held in a specific account (e.g. a bank account) at the beginning of an accounting period. It should be the same as the closing balance from the previous accounting period.

OVERDRAFT: A short term loan from a bank, when you spend more money out of your bank account than you have in it. Overdrafts are expensive and have to be re paid whenever the bank demands the money back.

OVERHEADS: Costs which cannot be allocated to a specific activity, department or project but which are general in nature. Also referred to as central support costs, core costs or indirect costs.

PETTY CASH: A small cash float held in the office for small day to day payments. All petty cash monies must have receipt relevant to any purchase made.

PETTY CASH BOOK: A register which records all receipts and payments made from the petty cash account.

RECEIPT: A formal record received from a supplier that confirms that you paid a certain amount of money for certain goods or services, including details of: date, amount, supplier etc. Also given to anyone who buys goods or services from your organisation.

RESERVES: Money accumulated by an organisation from having a surplus of income over expenditure in one or more years. As with all funds, reserves may be restricted or unrestricted. It is good practice for an organisation to hold sufficient money in reserve so that activities may continue, for say 3 months, should there be a hold up with funding coming through, cash flow difficulties or project coming to an end. However, a charity should not hold reserves beyond what is reasonably needed or has plans to spend. Large reserves may adversely effect funding applications.

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RESTRICTED INCOME: Restricted income is income secured for a specific purpose and can only be used for costs connected with that purpose. Funders state the restrictions on how their money can be spent, especially when it has been given for a particular project or event (project funding). For example, if a funder funds a volunteer project, they may stipulate that money can be spent on the co-ordinator's salary and volunteer's expenses, but not on the organisations indirect (central support) costs. It is very important a group follows the restrictions on funding very carefully. Not adhering to the restrictions may result in funder demanding return of funding and have serious legal implications.

SIGNATORIES: People who are authorised to sign cheques on behalf of the organisation. There should always be a minimum of two signatories at all times and signatories should only sign cheques when they have all accompanying paper work which accompanies that payment.

STAKEHOLDERS: All the groups of people who are involved in an organisations activities e.g. beneficiaries, staff, managers, trustees, donors, government.

SUPPORTING DOCUMENTS: The original documents that describe each transaction e.g. invoices, receipts and records of authorisation.

TREASURER: An individual trustee who has specific responsibility for overseeing a group/organisation financial management and for producing financial information for the Committee/Board members and for the attention of the other trustees.

UNRESTRICTED INCOME: This is money built up over time maybe through fundraising events, donations, work carried out for others etc. As it is not restricted by a grant, contract for funding etc it is termed as unrestricted income. This money can be spent as an organisation sees fit and is often used for the general purposes of the organisation, which can be spent on any activity that contribute to the organisation's stated objectives e.g. Christmas outing for members of the group.

YEAR END: The cut-off date for the annual Accounting Period. This stimulates the production of a set of accounts for the year which are normally presented at a group AGM.