



Business finance

A

Capital

When people want to **set up** or start a company, they need money, called **capital**.

Companies can **borrow** this money, called a **loan**, from banks. The loan must be paid back with **interest**: the amount paid to borrow the money. Capital can also come from issuing **shares** or **equities** – certificates representing units of ownership of a company.

The people who **invest** money in shares are called **shareholders** and they own part of the company. The money they provide is known as **share capital**. Individuals and financial institutions, called **investors**, can also lend money to companies by buying **bonds** – loans that pay interest and are repaid at a fixed future date.

Money that is owed – that will have to be paid – to other people or businesses is a **debt**. In accounting, companies' debts are usually called **liabilities**. Long-term liabilities include bonds; short-term liabilities include debts to suppliers who provide goods or services on **credit** – that will be paid for later.

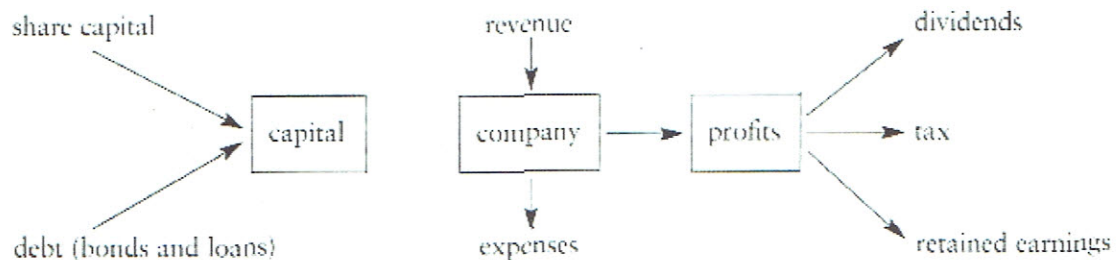
The money that a business uses for everyday expenses or has available for spending is called **working capital** or **funds**.

BrE: shares; AmE: stocks
BrE: shareholder; AmE: stockholder

B

Revenue

All the money coming into a company during a given period is **revenue**. Revenue minus the cost of sales and operating expenses, such as rent and salaries, is known as **profit**, **earnings** or **net income**. The part of its profit that a company pays to its shareholders is a **dividend**. Companies pay a proportion of their profits to the government as **tax**, to finance government spending. They also retain, or keep, some of their earnings for future use.



C

Financial statements

Companies give information about their financial situation in **financial statements**. The **balance sheet** shows the company's assets – the things it owns; its liabilities – the money it owes; and its capital. The **profit and loss account** shows the company's revenues and expenses during a particular period, such as three months or a year.

BrE: profit and loss account; AmE: income statement