

Accounting ✓✓ The system of recording, reporting, and summarizing past financial information and transactions.

Accounts Receivable Turnover (AR Turnover) ✓✓ An activity ratio found by credit sales divided by accounts receivable.

Activity Ratios ✓✓ A category of ratios that measure how well a company uses its assets to generate sales or cash, showing the firm's operational efficiency and profitability.

Additional Funds Needed (AFN) ✓✓ Another name for the discretionary financing needed or external financing needed. It represents the additional financing needed given a firm's expectations for future growth.

Affirmative Covenants ✓✓ A bond covenant that describes things the company pledges itself to do in order to protect bondholders.

Agency Costs ✓✓ Costs that are incurred when management does not act in the best interest of shareholders.

Agency Problem ✓✓ When the agent (the management) does not act in the best interest of the principal (the owners).

Aggressive Assets ✓✓ Companies or securities with beta greater than 1.

Annual Percentage Rate ✓✓ The annual interest rate that is charged for borrowing money or that is earned through investment.

Annuity ✓✓ A stream of cash flows of an equal amount paid every consecutive period.

Annuity Due ✓✓ A series of equal payments made at the beginning of consecutive periods.

Asset Pricing ✓✓ The process of valuing assets.

Auction Market ✓✓ A secondary market with a physical location and where prices are determined by investors' willingness to pay.

Average Collection Period (ACP) ✓✓ An activity ratio found by the number of days in a year (365) divided by AR turnover.

Balance Sheet Forecasting ✓✓ Using sales growth and the profit forecast to construct a pro forma balance sheet to understand the future implications of the sources and uses of finances.

Banks and Credit Unions ✓✓ Receive deposits and extend loans to individuals and businesses.

Benchmarking ✓✓ The process of completing a financial analysis to compare a firm's financial performance to that of other similar firms.

Beta ✓✓ A variable that describes how the price of a security varies with the market.

Bid-ask Spread ✓✓ The difference between the bid and ask prices that compensate the specialist for the risk that he or she bears for willingness to provide liquidity.

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