COMMONLY USED TERMS IN PUBLIC FINANCE AND GOVERNMENT ACCOUNTING

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
(Set up by an Act of Parliament)
New Delhi

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FOREWORD
(Revised Edition 2022)

The Institute of Chartered Accountants of India (ICAI) through its Committee on Public & Government Financial Management (CP&GFM) organises interactions and knowledge sharing exercises with the Government organs. The Committee strives to assist not only Central & State Governments but also Local Bodies in India in successful implementation of the accounting reforms and public financial management by supporting them in their capacity building activities and formulating Accounting Standards for Local Bodies (ASLBs) that are based on International benchmark Standards for Government, i.e., International Public Sector Accounting Standards (IPSASs).

To provide a quick guide on the key terms used in Public Finance & Government Accounting, the Committee is bringing out the revised edition of its handbook on '*Commonly Used Terms in Public Finance & Government Accounting'* which will help to create a better understanding of the complex jargon which is used regularly in Government accounting and public financial management.

I congratulate CA. Kemisha Soni, Chairperson, Committee on Public & Government Financial Management (CP&GFM), CA. Sridhar Muppala, Vice-Chairperson, CP&GFM and all members of the Committee for visualizing the need of revising this handbook in this dynamic environment.

I am confident that the readers would find this handbook immensely useful.

CA. (Dr.) Debashis Mitra
President, ICAI

New Delhi
30th June, 2022

PREFACE
(Revised Edition 2022)

In order to understand finance properly, one needs to have a solid grasp on the elemental definitions that helps in reading the financial statements in better manner. The ICAI has taken several steps to improve financial reporting and management in Government, be it Central, State or Local Self Government. The ICAI through its Committee on Public & Government Financial Management also extends a helping and advisory hand to Government, especially in the area of government accounting reforms and financial management.

This revised edition of handbook on “Commonly Used Terms in Public Finance & Government Accounting” has now been updated with modern terminology being used in Public Financial Management System and around 130 new terms have been included. The handbook will be helpful as it contains definitions of commonly used terms related to public finance and government accounting that too arranged alphabetically.

I hope that this handbook would be found useful by its esteemed readers interested in understanding the terminology of Public Finance & Government Accounting.

I gratefully acknowledge the efforts made by CA. Ashok Rao, Resource Person, CP&GFM for sharing with us his views on the new terminologies that have been inserted in the said handbook.

I also acknowledge the efforts put in by CA. S. N. Gupta, Joint Director, Technical Directorate, CA. Namrata Khandelwal, Secretary, CP&GFM, CA. Nikita Gupta, Assistant Secretary, and Mr. Shabi Sharma, Management Trainee, for bringing out this handbook.

I am sure that this handbook will be immensely helpful to all concerned.

CA. (Ms.) Kemisha Soni — **CA. Sridhar Muppala**
Chairperson — **Vice-Chairperson**
Committee on Public & Government Financial Management

New Delhi
30th June, 2022

FOREWORD
(First Edition 2012)

Over the last 63 years, the CA profession has undergone a paradigm shift. The ICAI's persistent pursuit for perfection, skills and knowledge has placed the Chartered Accountants in an exalted position in the present professional order of the country. Today, the Chartered Accountants are not only the backbone of the Indian financial system but are also an 'institution of public trust' besides being 'conscience keepers of economy'. Our profession has played an important role in boosting the growth of our country.

In the present scenario, ICAI and accountancy profession have come a long way but still there are miles to go as newer and newer opportunities are emerging in the garb of challenges, including in the domains of Public Finance & Government Accounting. Indian chartered accountancy profession has already shown its mettle in commerce, industry, education and in other corporate field. Now, the need for them has been felt to contribute to strategy support, planning, bring together environmental, social and economic performance and provide support to the needs of governing public bodies and management.

ICAI through its Committee on Public Finance & Government Accounting strives to promote and contribute to the value of chartered accountants by increasing awareness of the important roles our members can play, by bringing out various publications and enriching their knowledge to make them aware and update in the field of Public Finance & Government Accounting.

In this high time where the profession is moving ahead with the process of turning 'Vision into Value', Committee on Public Finance & Government Accounting is coming out with a new publication on **'Commonly Used Terms in Public Finance & Government Accounting'** which aims to cover the main aspects of Public Finance & Government Accounting and will be useful for the general reader who come across these terms in the financial pages of newspaper as well as in business magazines.

I compliment the Chairman, Committee on Public Finance & Government Accounting, CA. Amarjit Chopra, and other members for their initiatives in conceptualizing this publication in order to bring out clarity in the usage of these terms.

I hope that this endeavour of the Committee on Public Finance & Government Accounting will be a stepping stone in providing guidance to members as well as others concerned in the area of Public Finance & Government Accounting.

CA. Jaydeep Narendra Shah
President, ICAI

PREFACE
(First Edition 2012)

The public financial management and Government financial records of any country must have prudent accounting systems backed by sound and effective practices and internal checks and controls in order to ensure proper control over public funds. The public finance performance of governments is seen as facing important challenges to its capacity to champion economic development given the increasing global perception of mostly regulatory and stabilizing role of government.

It is an interesting time to be studying public finance & government accounting for several reasons. There are changes in the way that the public sector does its business. To cope with the changes, the ways in which public finances are managed and government accounts are maintained have also changed. It is often not sufficient to have accounts that show that money has been spent as government intended-public want to know how well it has been spent, whether it has been used efficiently and whether it has achieved the purposes for which it was allocated. Accounting policies and procedures are designed to compile accounts fulfilling legal/procedural requirements that govern financial control. Accounts are an integral part of financial management of activities. On the basis of accounts, the Government determines the shape of its monetary and fiscal policies.

The Committee on Public Finance & Government Accounting has prepared a handbook on "Commonly Used Terms in Public Finance & Government Accounting" which gives the brief of commonly used terms in Public Finance & Government Accounting that are most useful for the economic analysis of government policies and illustrates their application to a variety of the most important tax and expenditure programmes.

It is hoped that this booklet would be found useful by its esteemed readers interested in understanding the terminology of Public Finance & Government Accounting. I gratefully acknowledge the efforts of all the persons involved in the preparation of this booklet. My thanks are due to our Hon'ble President CA. Jaydeep N Shah in providing constant support on various activities of the Committee. I would also like to convey my sincere thanks to our Hon'ble Vice-President and Vice-Chairman, CPF&GA and other Committee Members for their continuous support and co-operation.

I would also like to thank Shri Vijay Kapur, Director, Board of Studies and the staff of Board of Studies for their vital suggestions in the finalization of the booklet.

I would also like to thank the team of the Committee on Public Finance & Government Accounting; CA. Shalini Jindal, Secretary and Dr. Nikhil Saket, Sr. Assistant Secretary and the other staff for their efforts in bringing out this booklet.

I am confident that the readers would find this booklet immensely useful in expanding their knowledge and understanding of the subject.

(CA. Amarjit Chopra)
Chairman
Committee on Public Finance & Government Accounting

A

Aadhaar-enabled Payment Systems (AePS)
Aadhaar enabled Payment System or AePS is a payment system introduced with an aim to empower people from all parts of the society by making banking and financial services available to them. This payment system makes it possible to initiate payments through the unique identification number (UID).

Through the Aadhaar enabled Payment System or AePS, all Aadhaar card holders can make payments, transfer funds, make withdrawals, deposit cash and other bank related activities by using Aadhaar based authentication.

Abatement
Abatement is a reduction in the level of taxation faced by an individual or company. Examples of an abatement include a tax decrease, a reduction in penalties or a rebate. If an individual or business overpays its taxes or receives a tax bill that is too high, it can request an abatement from the tax authorities.

Absolute Advantage
This is the simplest yardstick of economic performance. If one person, firm or country can produce more of something with the same amount of effort and resources, they have an absolute advantage over other producers. It is the ability of a person, firm or country to produce a good or service at a lower cost with the same amount of effort and resources than any other producer.

Accounting Policies
The specific accounting principles and the methods of applying those principles adopted by an enterprise in the preparation and presentation of financial statements.

Accounting Standards for Local Bodies (ASLBs)
ASLBs are Standards and interpretations thereon issued by the Institute of Chartered Accountants of India (ICAI) for Local Bodies. ASLBs set out recognition, measurement, presentation and disclosure requirements dealing with specific transactions and events in general purpose financial statements of Local Bodies.

Accounting System
Organized set of manual and computerized accounting methods, procedures, and controls established to gather, record, classify, analyze, summarize, interpret and present accurate and timely financial data for management decisions.

Accounts Payable
When an entity purchases goods on credit, the amount of which needs to be paid back in a short period of time, it is known as Accounts Payable. It is treated as a liability and comes under the head ‘current liabilities’. Accounts Payable is a short-term debt payment which needs to be paid to avoid default.

Accounts Receivable
Accounts receivable (AR) is the balance of money due to an entity for goods or services delivered or used but not yet paid by customers. Accounts receivables are listed on the balance sheet as a current asset. AR is any amount of money owed by customers for purchases made on credit.

Accrual Basis
The basis of accounting under which revenues and expenses are recorded on the basis of period when they were earned or when their benefits were received irrespective of their corresponding cash transaction.

Accrual Basis of Accounting
The method of recording transactions by which revenues, costs, assets and liabilities are reflected in the accounts in the period in which they accrue. The 'accrual basis of accounting' includes considerations relating to deferrals, allocations, depreciation and amortisation. This basis is also referred to as mercantile basis of accounting.

Actuarial Valuation
An actuarial valuation is a type of appraisal of a defined benefit plan's assets versus liabilities, using investment, economic, and demographic assumptions for the model to determine the funded status of the plan. The assumptions are based on a mix of statistical studies and experienced judgment. Since assumptions are often derived from long-term data, unusual short-term conditions or unanticipated trends can occasionally cause deviations from forecasts.

Ad-Valorem Duties
Ad-Valorem Duties are re the duties determined as a certain percentage of the price of the product.

Ad-Valorem Tax
The phrase ad valorem is Latin for "according to value". Accordingly, it is the tax, duty or fee which is levied on the basis of change in value of the product

Aggregate Demand
Aggregate demand is the total demand for goods and services from all sectors of the economy (from individuals, companies, the government and exporters) during a given period at a given price level. More clearly, it is the sum of consumption expenditure, investment expenditure, government expenditure and net export.

Aggregate Demand Theory
Aggregate demand theory explains the relationship between economic output, demand and consumption. As per the theory, economic output will decrease if there is a fall in the value of total demand and consumption.

Aggregate Expenditure
Aggregate expenditure is defined as the current value of all the finished goods and services in the economy. Aggregate expenditure is one of the methods to

calculate the sum total of all economic activity in an economy which is referred to as the Gross Domestic Product of an economy.

Aggregate Output
The sum total of an economy's production of goods and services in a given period, usually a year. The aggregate output in an economy is also called gross domestic product (GDP).

Aggregate Supply
The total amount of real goods and services supplied to a market in a particular given period at a given price level. Aggregate supply value equals the real gross domestic product, or real GDP.

Allocation Function
Comprehends the actions of governments that change the deployment of resources from the allocation the market would otherwise produce.
Government production of goods or regulation of business, aimed at improving the allocative efficiency of the economy "(i.e. getting the "right mix" of products produced, each in the "ideal quantity" and at the "ideal quality").

Allocative Efficiency
Allocative efficiency is a state of the economy in which production represents consumer preferences; in particular, every good or service is produced up to the point where the last unit provides a marginal benefit to consumers equal to the marginal cost of producing. In the single-price model, at the point of allocative efficiency, price is equal to marginal cost. At this point the social surplus is maximized with no deadweight loss, or the value society puts on that level of output produced minus the value of resources used to achieve that level, yet can be applied to other things such as level of pollution. Allocative efficiency is the main tool of welfare analysis to measure the impact of markets and public policy upon society and subgroups being made better or worse off.

Alternate Minimum Tax
The tax liability calculated by an alternative set of rules designed to force individuals with high levels of preference income to incur at least some tax liability.

Amortization
The reduction in the value of an asset by prorating its cost over a period of asset's useful life.

Annual Financial Statements
Annual Financial Statements refer to the annual presentation of the entity's financial performance. They comprise a Balance Sheet, Statement of Profit and Loss, Statement of changes in equity, Cash flow statement, and Notes to the financial statements. Annual Financial statements are prepared on a going concern basis unless management intends to wind up the entity's operations under the accrual basis of accounting.

For Governments in India, the Annual Financial Statement (consisting of Finance Accounts and Appropriation Accounts) is a document presented to Parliament every financial year as part of the Budget process, as required under Article 112 of the Constitution of India. The documents consist of receipts and expenditures of the government in the current year, previous year and the Budget year in three separate parts — Consolidated Fund of India, Contingency Fund of India, and Public Account of India.

Annual Report

The annual report is a publication issued to an entity's shareholders, creditors, and regulatory organizations following the end of its fiscal year. The report typically contains at least an income statement, balance sheet, statement of cash flows, and accompanying Notes to accounts/ financial statements. It may also contain management comments, an audit report, and various supporting schedules that may be required by regulatory organisations.

Annuity

The term "annuity" refers to an insurance contract issued and distributed by financial institutions with the intention of paying out invested funds in a fixed income stream in the future. Investors invest in or purchase annuities with monthly premiums or lump-sum payments. The holding institution issues a stream of payments in the future for a specified period of time or for the remainder of the annuitant's life. Annuities are mainly used for retirement purposes and help individuals address the risk of outliving their savings.

Application Programming Interface (API)

Application Programming Interface (API) means any mechanism that allows a system or service to access data or functionality provided by another system or service. The API is generally used to interact (like query, list, search, sometimes submit & update) directly with the specific information on a system, to trigger some action on other systems, or to perform some other action on other systems.

Appraise

To make an estimate of value, particularly of the value of property

Appraisal Ratio

The ratio of the appraised value to an indicator of market value. In the context of Mutual Funds, it measures the abnormal returns per unit of a risk that could at least be diversified away by holding a market index portfolio.

Appreciation

A rise in the value of an asset and the opposite of depreciation. When the value of a currency rises relative to another, it appreciates or becomes stronger.

Appropriation

Appropriation is an authorisation granted by the appropriate authority or government to allocate funds for specific purposes.

Appropriation Accounts

Appropriation Accounts are a condensed presentation of Grant- wise information with respect to the respective Appropriation Acts. The Appropriation Accounts highlights the expenditures incurred against the appropriations authorised by

Parliament interalia exhibiting the reasons for excess or savings, if any. They are prepared by different appropriate authorities as prescribed under the Constitution. The Finance Accounts along with the Appropriation Accounts are parts of the final Annual Audited Accounts tabled before the Parliament/Legislature in the budget session.

Appropriation Bill
A Bill that enables withdrawal of money from the Consolidated Fund to pay off expenses. These are instruments that Parliament clears after the demand for grants has been voted by the Lok Sabha.

Arbitrage
Arbitrage by definition is a financial transaction that makes an immediate profit without involving any risk. Technically, it consists of purchasing a commodity or security in one market for immediate sale in another market.

Artificial Intelligence (AI)
Artificial intelligence (AI) refers to the simulation of human intelligence in machines that are programmed to think like humans and mimic their actions. The term may also be applied to any machine that exhibits traits associated with a human mind such as learning and problem-solving.

Assets
A resource with economic value that an individual, corporation or country owns or controls with the expectation that it will provide future benefits.

Asset Monetization
Asset Monetization involves creation of new sources of revenue by unlocking of value of public assets under Government's control.

Asset Register
An asset register is a detailed list compiled of all entity's assets including intangible assets, IT and digital assets. The purpose of an asset register is to enable entity to know the status, procurement date, location, price, depreciation/amortization, custodian and the current value of each asset.

Audit
An audit is a systematic and independent examination of books, accounts, statutory records, documents and vouchers of an organization to ascertain how far the financial statements as well as non-financial disclosures present a true and fair view of the concern.

Authentication
Authentication is the process of recognizing a user's identity in an electronic system. Common authentication methods in use are biometrics, passwords, unique tokens etc.

Autonomous Investment
Autonomous investment is the level of investment independent of national output. This includes Government investment, investment to replace worn out

capital and any other type of investment that is not dependent on change in Goal.

Average Cost
The Average Cost is the Total Cost divided by the total output.

Average Propensity to Consume
The average propensity to consume refers to the percentage of income spent on goods and services rather than on savings. A person can determine the percentage of income spent by dividing the average household consumption, or what is spent, by the average household income, or what is earned. The inverse of the average propensity to consume is the average propensity to save (APS).

Average Propensity to Import
The proportion of total disposable income (per individual, per household or national), which is spent on imports.

Average Propensity to Save
Average propensity to save (APS) is an economic term that refers to the proportion of income which is saved usually expressed by household savings as a percentage of total household disposable income. The inverse of average propensity to save is the average propensity to consume.

Average Rate of Tax
An average tax rate is the ratio of the amount of taxes paid to the tax base (taxable income or spending).

Average Revenue
The revenue received from selling a good per unit of output sold, found by dividing total revenue by quantity of output.

Average Variable Cost
The average variable cost represents the total variable cost per unit, including materials and labour, in short-term production calculated by dividing total variables costs by total output. Hence, a change in the output (Q) causes a change in the variable cost.

B

Bad Debt
A bad debt is an amount owed to a business or individual that is written off by the creditor as a loss (and classified as an expense) because the debt cannot be collected, and all reasonable efforts to collect it have been exhausted. This usually occurs when the debtor has declared bankruptcy or the cost of pursuing further action in an attempt to collect the debts exceeds the debt itself

Balanced Budget
A budget where expenditure and revenue are equal. This is the ideal situation, though Keynes said that governments should aim to run a deficit during a

depression to encourage economic activity, and a surplus during a boom in order to cool down economic activity.

Balanced Budget Multiplier
Balanced Budget Multiplier states that an increase in government expenditure plus an equal increase in taxes leads to higher output.

Balance of Payments
The balance of payments is the record of all international financial transactions made by a country's residents. A country's balance of payments tells you whether it saves enough to pay for its imports. It also reveals whether the country produces enough economic output to pay for its growth. The BOP is reported for a quarter or a year.

Balance Sheet
A statement of the financial position of an enterprise as on a given date, which exhibits its assets, liabilities, capital, reserves and other account balances at their respective book values.

Bank Guarantee
A guarantee from a lending institution ensuring that the liabilities of a debtor will be met. In other words, if the debtor fails to settle a debt, the bank will cover it. A bank guarantee enables the customer (debtor) to acquire goods, buy equipment, or draw down loans, and thereby expand business activity.

Bank Rate
Bank Rate is the rate at which the central bank of the country (Bank Rate in India is decided by RBI) allows finance to commercial banks. Bank Rate is a tool, which central bank uses for short-term purposes.

Barter
Paying for goods or services with other goods or services, instead of with money. It is often popular when the quality of money is low or uncertain, perhaps because of high inflation or counterfeiting, or when people are asset-rich but cash-poor, or when taxation or extortion by criminals is high.

Base Budget
A recurring set of funds provided to a department at the onset of each budget period. The base budget is used to keep the department functioning, and is derived from the previous year's spending and adjustments such as inflation.

Base Currency
In terms of foreign exchange trading, currencies are quoted in terms of a currency pair. The first currency in the pair is the base currency. The base currency is the currency against which exchange rates are generally quoted in a given country. Examples: USD/INR, the US Dollar is the base currency; EUR/USD, the EURO is the base currency.

Base Period
A particular period of time used for comparative purposes when measuring economic data.

Base Year
Year immediately prior to first year of spending review period.

Basis Point
One-hundredth of a percentage point. Small movements in the interest rate, the exchange rate and bond yields are often described in terms of basis points. If a bond yield moves from 5.25% to 5.45%, it has risen by 20 basis points.

Bear
A "bear" is considered to be the opposite of a bull. Bear investors believe that the value of a specific security or an industry is likely to decline in the future.

Bharat BillPay System (BBPS)
The Bharat Bill payment system is a Reserve Bank of India conceptualised system implemented by National Payments Corporation of India (NPCI). It is a one-stop ecosystem for payment of all bills providing an interoperable and accessible "Anytime Anywhere" Bill payment service to all customers across India with certainty, reliability and safety of transactions.

Bharat Interface for Money (BHIM)
Bharat Interface for Money (BHIM) is a payment app that facilitates simple, easy and quick transactions using Unified Payments Interface (UPI). A person can make direct bank payments to anyone on UPI using their UPI ID or scanning their QR with the BHIM app. One can also request money through the app from a UPI ID.

The app was developed by National Payments Corporation of India (NPCI).

Bill
A draft legislative proposal which becomes an Act when passed by both Houses of Parliament and assented to by the President.

Black Economy
The segment of a country's economic activity that is derived from sources that fall outside of the country's rules and regulations regarding commerce. The activities can be either legal or illegal depending on what goods and/or services are involved.

Black Money
'Black income' is 'the aggregates of incomes which are taxable but not reported to the tax authorities'. Further, black incomes or unaccounted incomes are 'the extent to which estimates of national income and output are biased downwards because of deliberate, false reporting of incomes, output and transactions for reasons of tax evasion, flouting of other economic controls and relative motives'

Blockchain
A blockchain is a distributed database that is shared among the nodes of a computer network. As a database, a blockchain stores information electronically in digital format. Blockchains are best known for their crucial role in cryptocurrency systems, such as Bitcoin, for maintaining a secure and

decentralized record of transactions. It guarantees the fidelity and security of a record of data and generates trust without the need for a trusted third party.

Block Grant
A large amount of money that a national government gives to a regional government with only general parameters on how it should be spent.

Book Value
The amount at which an item appears in the books of account or financial statements. It does not refer to any particular basis on which the amount is determined, e.g., cost, replacement value, etc.

Board of Appeals
A public body (other than a court) charged with the duty of hearing and deciding appeals taken by taxpayers or tax districts on assessments established by public officers or bodies other than the courts.

Borrowings
Funds obtained from repayable sources, including loans secured by the government from financial institutions and other sources, both internal and external, to finance development projects and/or budget support.

Bounded Rationality
A theory of human decision making that assumes that people behave rationally, but only within the limits of the information available to them because their information may be inadequate (bounded). They may take decisions that appear to be irrational according to traditional theories about economic man.

Breakeven Point
The point where total revenue equals total costs; this is shown in break-even charts, e.g. charting the effect of a price increase or an increase in fixed costs.

Broad Money
Broad money is the most inclusive method of calculating a given country's money supply. The money supply is the totality of assets that households and businesses can use to make payments or to hold as short-term investments such as currency, funds in bank accounts and anything of value resembling money. The formula for calculating money supply varies from country to country, but broad money is always the farthest- reaching; narrow money refers to the most liquid assets, cash, and checkable deposits.

Budget
A plan for allocating resources to support particular services, purposes and functions over a specified period of time.

Budget Credibility
Budget credibility describes the ability of governments to accurately and consistently meet their expenditure and revenue targets. At its core, budget credibility is about upholding government commitments and seeks to understand why governments deviate from these commitments.

Budget Deficit

The budget deficit is the amount by which government spending exceeds government revenues during a specified period of time usually a year.

Budget Estimates

The estimates of government spending on various sectors during the year, together with an estimate of the income in the form of tax revenues, form the Budget estimates.

Budget Surplus

Excess of income over spending for a government, corporation or individual over a particular period of time. A government with a budget surplus may choose to start new programs or cut taxes. A corporation with a surplus may expand the business through investment or acquisition, or may choose to buy back its own stock. An individual with a budget surplus may choose to pay down debt or increase spending or investment.

Build-Operate-Transfer (BOT)

A build-operate-transfer (BOT) contract is a model used to finance large projects, typically infrastructure projects developed through public-private partnerships.

The BOT scheme refers to the initial concession by a public entity including a government to another entity to both build and operate the project in question. After a set time frame, typically two or three decades, control over the project is returned to the public entity.

Build-Own-Operate (BOO)

A build-own-operate (BOO) contract is a model used to finance large projects, typically infrastructure projects developed through public-private partnerships.

The BOO is a project delivery mechanism in which a government entity sells to a private sector party the right to construct a project according to agreed design specifications and to operate the project for a specified time. Unlike the build-own-operate-transfer (BOOT) or the build-operate-transfer (BOT) structure, the private sector party owns the project and does not have to transfer it to the government entity at the end of the term.

Build-Own-Operate-Transfer (BOOT)

A build, own, operate and transfer (BOOT) contract is a project delivery model that is used for large projects developed through Public Private Partnerships (PPPs). The BOOT is a project delivery mechanism in which a government entity grants to a private sector party the right to finance, design, construct, own and operate a project for a specified number of years. This structure is very similar to the build-operate-transfer (BOT) structure, except that the private sector party owns the asset during the term of the agreement.

BOOT is sometimes known as. Variations on the BOOT model include BOT (build, operate, transfer), BOO (build, own, operate), BLT (build, lease, transfer), BLOT (build, lease, operate, transfer) and Design-Build-Finance-Operate-Transfer (DBFOT).

Bull
An investor who thinks the market, a specific security or an industry will rise. Investors who take a bull approach will purchase securities under the assumption that they can be sold later at a higher price.

Buyer's Market
A market which has more sellers than buyers. Low prices result from this excess of supply over demand, also called soft market.

C

Capital
Capital is that part of wealth of an individual or community which is used for further production of wealth. e.g. machines.

Capital Account
A country's national account showing the capital invested in infrastructure, or a firm's account showing investment in plant and other assets.

Capital Budget
Consists of capital receipts and payments, loans and advances granted by the Union Government to State and Union Territory governments, government companies, corporations and other parties. This also accounts for market loans, borrowings from the Reserve Bank of India and other institutions through the sale of Treasury Bills and loans acquired from foreign governments.

Capital Budgeting
The process of choosing the firm's long-term capital assets among various alternatives available. This technique is based on pure cash flows.

Capital Commitment
Future liability for capital expenditure in respect of which contracts have been made.

Capital Expenditures/Outlays
Funds used by a company to acquire or upgrade physical assets such as property, industrial buildings or equipment. This type of outlay is made by companies to maintain or increase the scope of their operations. These expenditures can include everything from repairing a roof to building a brand new factory.

Capital Flight
The rapid movement of capital out of a country because of lack of confidence in that country's economic future in response to political unrest, war, or other conditions.

Capital Formation
Expansion of capital or capital goods through savings, which leads to economic growth or a sustained increase in the stock of real capital in the country, it includes production of more capital goods like machines, tools etc. which are used for further production of goods.

Capital Gains Tax
A Capital Gains Tax (CGT) is a tax on capital gains, the profit realized on the sale of a non-inventory asset that was greater than the amount realized on the sale. The most common capital gains are realized from the sale of stocks, bonds, precious metals and property. Not all countries implement a capital gains tax and most have different rates of taxation for individuals and corporations.

Capital Goods
Any tangible assets that an organization uses to produce goods or services such as office buildings, equipment and machinery. Consumer goods are the end result of this production process.

Capital Inflow
Movement of capital into a country by buying shares in companies, buying whole companies or other forms of investment.

Capital Intensive
A business process or an industry that requires large amounts of money and other financial resources to produce a good or service. A business is considered capital intensive based on the ratio of the capital required to the amount of labour that is required. Some industries commonly thought of as capital intensive include oil production and refining, telecommunications and transports such as railways and airlines.

Capital Reserve
The profit earned by the company through special transaction, that is not available for distributing dividend to shareholders is known as Capital Reserve.

Capital Revenue
Proceeds from the sale of fixed or capital assets, such as land, building, machinery, stocks and intangibles, including receipts of unrequited transfers for capital purposes from non-governmental sources.

Capitalization
Capitalization, in accounting, is when the costs to acquire an asset are expensed over the life of that asset rather than in the period it was incurred. In finance, capitalization is the sum of a corporation's stock, long-term debt, and retained earnings.

Capitalization of Taxes
The act of incorporating the tax amount in the price of assets is known as capitalization of taxes.

Carbon Pricing
Carbon pricing is an instrument that captures the external costs of greenhouse gas (GHG) emissions (the costs of emissions that the public pays for, such as damage to crops, health care costs from heat waves and droughts, and loss of property from flooding and sea level rise) and ties them to their sources through a price, usually in the form of a price on the carbon dioxide (CO2) emitted. A price on carbon helps shift the burden for the damage from GHG emissions back to those who are responsible for it and who can avoid it.

Carbon pricing harnesses market forces to address climate change by creating financial incentives for companies and countries to lower their emissions — either by switching to more efficient processes or cleaner fuels.

Carbon pricing can take the form of a carbon tax or fee, or a cap-and-trade system that depends on government allotments or permits.

Carbon Tax
Carbon tax, tax levied on entities that produce carbon dioxide (CO2) through their operations. It is used as an incentive to reduce the economy-wide usage of high-carbon fuels and to protect the environment from the harmful effects of excessive carbon dioxide emissions.

Cartel
A cartel is a formal agreement among competing firms. It is a formal organization where there is a small number of sellers and usually involve homogeneous products. Cartel members may agree on such matters as price fixing, total industry output, market shares, allocation of customers, allocation of territories, bid rigging, establishment of common sales agencies, and the division of profits or combination of these. The aim of such collusion (also called the cartel agreement) is to increase individual members' profits by reducing competition.

Cash basis of accounting
Cash basis refers to a major accounting method that recognizes revenues and expenses at the time physical cash is actually received or paid out. This contrasts to the other major accounting method, accrual accounting, which recognizes income in a company's books at the time the revenue is earned, but not necessarily received, and records expenses when liabilities are incurred, but not necessarily paid.

Cash Budget
Cash budget is a detailed plan showing how cash resources will be acquired and used over some specific time period.

Cash Flow Statement
The cash flow statement should report cash flows (i.e. inflows and outflows of cash and cash equivalents) during the period classified by operating, investing, and financing activities.

Cash Limits
Limits on the amount of money the Government proposes to spend or authorize on certain services or blocks of services in one year.

Cash Reserve Ratio (CRR)
CRR means Cash Reserve Ratio. Banks in India are required to hold a certain proportion of their deposits in the form of cash. However, actually Banks don't hold this as cash with themselves, but deposit such cash with Reserve Bank of India (RBI) / currency chests, which is considered as equivalent to holding cash with RBI.

Categorical Grant
A type of inter-governmental payment which is characterized by extensive restrictions on the uses to which the funds may be "spent" by the recipient government.

Centrally Sponsored Schemes (CSS)
Centrally Sponsored Schemes (CSS) are those schemes which are implemented by the state government but sponsored by the central government with a defined shareholding. At present, there are 30 centrally-sponsored schemes but these are umbrella programmes and they have many sub-schemes under them. The funding is borne by the states in the ratio of 50:50 or 90:10 or 75:25 or 70:30.

Centrally Sponsored Schemes are created on areas that are covered under the State List.

Cenvat
A replacement for the earlier MODVAT scheme; it is meant for reducing the cascading effect of indirect taxes on finished products. The scheme is a more extensive one with most goods brought under its preview.

Ceteris Paribus
Latin expression meaning 'other things being equal', used to indicate that when considering the effect that one factor has on the economy, the influence of other factors is not taken into account.

Circular Flow of Income
The flow of income between the producers and the households who buy their goods or services. Income moves from households to producers as the households purchase goods or services; income moves from producers to households in the form of wages or profits.

Climate Budget Tagging (CBT)
Climate Budget Tagging (CBT) is a tool for monitoring and tracking of climate-related expenditures in the national budget system. It provides comprehensive data on climate change relevant spending, enabling government to make informed decisions and prioritize climate investments. It also encourages policy makers to incorporate climate considerations in project design.

By generating data on climate change investments which usual budget classification would not do, CBT enables public scrutiny on government's and donors' spending on tackling climate change issues strengthening accountability and transparency.

Climate Finance
Climate finance refers to local, national, or transnational financing, which may be drawn from public, private and alternative sources of financing to significantly reduce emissions, notably in sectors that emit large quantities of greenhouse gases. Climate finance is equally important for adaptation, for which significant financial resources will be similarly required to allow societies and economies to adapt to the adverse effects and reduce the impacts of climate change.

Closed Economy
An economy that does not take part in international trade.

Cointegration
In statistics, the calculation of the relationship between economic data measured over a long period of time.

Collateral
An asset pledged by a borrower that may be seized by a lender to recover the value of a loan if the borrower fails to meet the required interest charges or repayments.

Collection Efficiency
"Collection efficiency" refers to the success rate of collecting debts owed. It takes into account:

i. Total collectable amount on the current month: overdue invoices as of 1st day of the month plus all invoices that will come due in the coming month. This is the total amount to recover by the end of the month.
ii. The amount still to be recovered by the end of the month the day the indicator is calculated (ideally every day).

And is calculated as:
Collection Efficiency = (total collectable amount on the current month- the amount still to be recovered by the end of the month on the date of calculation)/ total collectable amount on the current month.

Collusion
Where two persons (or business entities through their officers or other employees) enter into a deceitful agreement, usually secret, to defraud and/or gain an unfair advantage over a third party, competitors, consumers or those with whom they are negotiating. Collusion can include secret price or wage fixing, secret rebates, or pretending to be independent of each other when actually conspiring together for their joint ends.

Command Economy
A command economy is where a central government makes all economic decisions. The government or a collective owns the land and the means of production. It doesn't rely on the laws of supply and demand that operate in a market economy. A command economy also ignores the customs that guide a traditional economy. In recent years, many centrally-planned economies began adding aspects of the market economy.

Commitment Control
The commitment of resources is a critical stage of the expenditure process. Controlling commitments is essential for controlling expenditure. The key objective of commitment control is to manage the initial incurrence of obligations, rather than the subsequent cash payments, in order to enforce expenditure ceilings and avoid expenditure arrears. To this end, the commitment control system imposes limits on commitments. These limits can be based on budget appropriations or on cash plans.

Competitive Advantage
An advantage that a firm has over its competitors, allowing it to generate greater sales or margins and/or retain more customers than its competition. There can be many types of competitive advantages including the firm's cost structure, product offerings, distribution network and customer support.

Comptroller and Auditor General (CAG) of India
CAG of India is an authority, established by the Constitution of India under article 148, who audits all receipts and expenditure of the Government of India and the state governments, including those of bodies and authorities substantially financed by the government. The CAG is also the external auditor of Government-owned corporations and conducts supplementary audit of government companies, i.e., any non-banking/ non-insurance company in which the state and Union governments have an equity share of at least 51 per cent or subsidiary companies of existing government companies.

Conservatism
Conservatism is a GAAP (generally accepted accounting principles). The conservatism principle requires that losses be recognized as soon as they can be quantified and that gains are recorded only when they are realized. This principle is intended to protect the users of financial information from inflated revenue, profit, or asset numbers and make all potential costs, losses, or declines in value apparent as soon as possible.

Consolidated Fund
Consolidated Fund of India is the most important of all government accounts. Revenues received by the government and expenses made by it, excluding the exceptional items, are part of the Consolidated Fund.

Consolidated Fund of India
All revenues received by the Government by way of taxes like Income Tax, Central Excise, Customs and other receipts flowing to the Government in connection with the conduct of Government business i.e. Non-Tax Revenues are credited into the Consolidated Fund constituted under Article 266 (1) of the Constitution of India. Similarly, all loans raised by the Government by issue of Public notifications, treasury bills (internal debt) and loans obtained from foreign governments and international institutions (external debt) are credited into this fund. All expenditure of the government is incurred from this fund and no amount can be withdrawn from the Fund without authorization from the Parliament.

Consumer price index (CPI)
The CPI is a statistical estimate constructed using the prices of a sample of representative items whose prices are collected periodically. Sub-indices and sub-sub- indices are computed for different categories and sub-categories of goods and services, being combined to produce the overall index with weights reflecting their shares in the total of the consumer expenditures covered by the index. It is one of several price indices calculated by most national statistical agencies.

Consumer Surplus
The difference between what a consumer would be willing to pay for a good or service and what that consumer actually has to pay.

Consumption Tax
A tax on the value of all goods and services consumed within a period of time.

Contingency Fund
A contingency fund is simply a reserve fund set aside to handle unexpected debts that are outside the range of the usual operating budget. This model of maintaining reserve money as protection against possible loss in the event of an emergency situation can be utilized in a number of situations. Governments, private businesses, and even individual households can establish and maintain a contingency fund as part of the overall financial plan of operation.

Contingency Fund of India
The Contingency Fund of India records the transactions connected with Contingency Fund set by the Government of India under Article 267 of the Constitution of India. The corpus of this fund is Rs. 50 crores. Advances from the fund are made for the purposes of meeting unforeseen expenditure which are resumed to the Fund to the full extent as soon as Parliament authorizes additional expenditure. Thus, this fund acts more or less like an imprest account of Government of India and is held on behalf of President by the Secretary to the Government of India, Ministry of Finance, Department of Economic Affairs.

Contingent Liability
An obligation relating to an existing condition or situation which may arise in future depending on the occurrence or non-occurrence of one or more uncertain future events.

Contractionary Fiscal Policy
Government policy which aims at decreasing government spending or increasing taxes; this would have the effect of reducing demand in the economy. Also called deflationary fiscal policy.

Contractionary Policy
A type of policy that is used as a macroeconomic tool by the country's central bank or finance ministry to slow down an economy. Contractionary policies are enacted by a government to reduce the money supply and ultimately the spending in a country.

Controller General of Accounts
Controller General of Accounts is the principal Accounts Adviser to the Government of India and is responsible for establishing and maintaining a technically sound management accounting system.

He prepares a critical analysis of expenditures, revenues, borrowings and the deficit for the Finance Minister every month.

He also prepares annual Appropriation Accounts (Civil) and Union Finance Accounts for presentation to the Parliament.

Convergence
Convergence of resources is to channelize the resources and strengths of various agencies for a particular thrust activity. This will enable planners to view schemes of each agency and the physical and financial resources available and thus, systematically link every bit to become part of a whole.

Convertibility
A bond, debenture or preferred share that may be exchanged by the owner for common stock or another security, usually of the same company, in accordance with the terms of the issue.

Corporation Tax
It's the tax companies pay on their profits.

Cost-Benefit Analysis
A process by which you weigh expected cost against expected benefits to determine the best (or most profitable) course of action.

Cost-Push Inflation
Cost push inflation is inflation caused by an increase in prices of inputs like labour, raw material, etc. The increased price of the factors of production leads to a decreased supply of these goods. While the demand remains constant, the prices of commodities increase causing a rise in the overall price level.

Cost Centre
A cost centre is defined as a function or department within an entity which is not directly going to generate revenues and profits to the entity but is still incurring expenses to the entity for its operations. The contributions made by the cost centres in terms of profits is indirect.

Credit Crunch
Also known as a credit squeeze, this refers to an economic situation where banks and other financial institutions become extremely reluctant to provide loans to businesses. This could be the result of banks suffering huge losses on their portfolio, which makes them adopt a cautious approach to protect their equity. It could also happen when banks begin to doubt the repayment capability of their customers amidst a general gloom in the overall economy.

Creeping Inflation
The normal inflationary position in many countries, where inflation increases by small amounts each year.

Critical Path Analysis
The analysis of the way a project is organized in terms of the minimum time it will take to complete, defining tasks or jobs and the time each requires, arranged in order to achieve completion on time but calculating which parts can be delayed without holding up the rest of the project and which need to be accelerated.

Crowding Out Effect
An economic theory explaining an increase in interest rates due to rising government borrowing in the money market.

Currency Appreciation
An increase in the value of a currency against another currency. It can also be defined as rise in external value of a currency in floating exchange rate system.

Currency Depreciation
A fall in the value of a currency against another currency. It can also be defined as fall in external value of a currency in floating exchange rate system.

Currency Swap
An agreement to use a certain currency for payments under a contract in exchange for another currency. The two companies involved can each buy one of the currencies at a more favourable rate than the other.

Current Assets
Cash and other assets that are expected to be converted into cash or consumed in the production of goods or rendering of services in the normal course of business.

Current Expenditure
Includes most direct expenditure on public sector pay and providing services, e.g. health or education, reflecting continuing programmes financed each year. It does not include the purchase of tangible, physical assets.

Current Operating Expenses
Amount budgeted for the purchase of goods and services for the conduct of normal government operations within the budget year. It includes goods and services that will be used or consumed during the budget year.

Customs
Anything you bring from abroad comes at a price. By levying a tax on imports, the government achieves twin objectives: it raises revenues and protects local industries.

D

Data Analytics
Data analytics is the science of analysing raw data to make conclusions about that information. Many of the techniques and processes of data analysis have been automated into mechanical processes and algorithms that work over raw data for human consumption.

Debt Burden
The cost of servicing a debt, i.e. the interest payments payable on a loan.

Debt Capitalization Rate
Debt component of an overall direct capitalization rate. Computed by dividing annual interest rate payments by the market value of debt.

Debt Rate
Interest rate on borrowed money.

Debt Service
The sum of loan repayments, interest payments, commitment fees and other charges on foreign and domestic borrowings.

Debt Swap
A set of transactions in which a firm buys a country's dollar bank debt at a discount and swaps this debt with the central bank for local currency that it can use to acquire local equity. Also called a debt-equity swap in which a company exchanges existing bonds (debts) for newly issued stock (equity).

Debt Sustainability
A country's public debt is considered sustainable if the government is able to meet all its current and future payment obligations without exceptional financial assistance or going into default.

Debtor Nation
A country whose foreign debts are bigger than money owed to it by other countries.

Decision Support System
A decision support system (DSS) is an information system that aids an organisation in decision-making activities that require judgment, determination, and a sequence of actions. The information system assists the mid- and high-level management of the organisation by analysing huge volumes of unstructured data and accumulating information that can help to solve problems and help in decision-making. A DSS is either human-powered, automated, or a combination of both.

Default
Failure to fulfill the terms of a loan agreement. For example, a borrower is in default if he or she does not make scheduled interest payments on a loan or fails to pay off the loan at the agreed time.

Deferred Expenditure
Expenditure for which payment has been made or a liability incurred but which is carried forward on the presumption that it will be of benefit over a subsequent period or periods. This is also referred to as deferred revenue expenditure.

Deferred Revenue
Deferred revenue is, in accrual accounting, money received for goods or services which have not yet been delivered. According to the revenue recognition principle, it is recorded as a liability until the services have been rendered or products have been delivered. As the product or service is delivered overtime, it is recognized as revenue on the income statement.

Deferred Taxes
A non-cash expense that provides a source of free cash flow. Amount allocated during the period to cover tax liabilities that have not yet been paid.

Deficit
Shortfall/deficiency of revenues over expenditures of the government.

Deficit Financing
Deficit Financing is the practice in which a government spends more money than it receives as revenue, the difference being made up by borrowing or minting new funds. Although budget deficits may occur for numerous reasons, the term usually refers to a conscious attempt to stimulate the economy by lowering tax rates or increasing government expenditures.

Defined Benefit Plan
A defined benefit plan is a type of employee sponsored retirement plan where the amount an employee will receive is fixed (assured). When retired, the employee will receive the same periodic amount of money agreed upon with the employer unlike defined contribution plans.

Defined Contribution Plan
Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Deflate
To reduce the level of economic activity as a means of fighting inflation.

Deflation
Deflation is when consumer and asset prices decrease over time, and purchasing power increases. Essentially, one can buy more goods or services

tomorrow with the same amount of money one has today. This is the mirror image of inflation, which is the gradual increase in prices across the economy.

Demand for Grants

A statement of expenditure estimate from the Consolidated Fund that requires the approval of the Lok Sabha.

Demonetisation

It is the act of stripping a currency unit of its status as legal tender. Demonetisation is necessary whenever there is change of national currency. The old unit of currency must be retired and replaced with new currency unit.

Depletion

Depletion is the movement of the cost of natural resources from a company's balance sheet to its income statements. The objective is to match on the income statement the *cost* of the natural resources that were sold with the *revenues* of the natural resources that were sold. The cost of the natural resources sold is referred to as depletion expense. Conceptually, depletion is similar to the depreciation of property, plant and equipment.

Depository

A depository is an institution or organisation which holds the securities of an investor through the depository participant and also provides services in relation to these securities. It holds the securities of the investors in the form of shares, debentures, Government securities, bonds, mutual fund units, etc. in an electronic form. It acts as a link between the companies which issue shares and its shareholders.

Depository Participant (DP)

Depository Participant (DP) is the agent or the registered stockbroker of a depository.

Depreciation

Normally, charges against earnings to write off the cost, less salvage value, of an asset over its estimated useful life. It is a bookkeeping entry and does not represent any cash outlay nor are any funds earmarked for the purpose.

Derivatives

A security whose price is dependent upon or derived from one or more underlying assets. The derivative itself is merely a contract between two or more parties. Its value is determined by fluctuations in the underlying asset. The most common underlying assets include stocks, bonds, commodities, currencies, interest rates and market indexes.

Devaluation

Devaluation is the reduction in value of a currency, relative to all other currencies. In a fixed-rate regime, only a country's central bank can undertake devaluation of its currency. The impact of devaluation is to make exports less expensive to foreign buyers and imports more expensive for domestic buyers. Thus devaluation will shift a country's trade balance, or balance of payments.

Developmental Expenditure

All expenditures that promote economic growth and development are termed as developmental expenditure. Expenditure on infrastructure development, public enterprises or development of agriculture increase productive capacity in the economy and bring income to the government.

DigiLocker

DigiLocker is a flagship initiative of Ministry of Electronics & IT (MeitY) under Digital India programme. DigiLocker aims at 'Digital Empowerment' of citizen by providing access to authentic digital documents to citizen's digital document wallet. The issued documents in DigiLocker system are deemed to be at par with original physical documents as per Rule 9A of the Information Technology (Preservation and Retention of Information by Intermediaries providing Digital Locker facilities) Rules, 2016 notified on February 8, 2017 vide G.S.R. 711(E).

Digital Currency

The term 'digital currency' refers to money exclusively available in digital or electronic form. It is also known as cyber cash, digital money, electronic money, or electronic currency. Electronic wallets or computers connected to the internet or specified networks conduct digital currency transactions. Typically, digital currencies do not require intermediaries and it is frequently the most cost-effective way to trade currencies. Not all digital currencies are cryptocurrencies, and not all cryptocurrencies are digital currencies. Digital currencies have the ability to transfer value seamlessly and reduce transaction costs.

Diminishing Balance Method

A method under which the periodic charge for depreciation of an asset is computed by applying a fixed percentage to its historical cost or substituted amount less accumulated depreciation (net book value). This is also referred to as written down value method.

Direct Benefit Transfer (DBT)

The Direct Benefit Transfer (DBT) scheme came into effect on 1 January 2013. It was launched to enhance the Indian Government's delivery mechanism and reform existing welfare scheme procedures. The DBT scheme simplifies the transfer of benefits, such as subsidies, to the beneficiaries, making the process smooth, secure, and hassle-free.

With DBT program, GoI aims to make payments directly into the Aadhaar linked bank accounts of the end beneficiaries.

Discounting

In relation to the time value of money, discounting can be defined as the act of estimating the present value of a future payment or a series of cash flows that are to be received in the future. Discounting is a key element in valuing future cash flows.

Direct Tax

A tax that is paid directly by an individual or organization to the imposing entity. A taxpayer pays a direct tax to a government for different purposes, including real property tax, personal property tax, income tax or taxes on assets.

Disinflation
A fall in the rate of inflation. This means a slower increase in prices but not a fall in prices, which is known as deflation.

Disparity Reduction Aid
A general purpose aid program designed to assist in the equalization of local tax rates.

Disposable Income
The amount of personal income an individual has after taxes and government fees, which can be spent on necessities, or non-essentials, or be saved.

Distribution Function
Relates to the influence of government on the distribution of income and wealth among individuals.

Distributed Ledger
A distributed ledger is a network of autonomous computers spread around the world that record, share, and synchronize a database of transactions. Each user of the distributed ledger becomes a witness to, for example, a bitcoin transaction made over the blockchain, making it impossible for people with malicious intentions to make any alterations to the data.

Diversification
The process of spreading out investments so as to limit exposure and reduce risk. Individuals do this by investing in shares of different companies or by combining stocks with debentures, mutual fund shares, fixed deposits and other investment vehicles. Companies achieve diversification by venturing into new and unrelated business areas.

Dividend
The part of a company's profit distributed to shareholders. It is an appropriation of profit and not a charge against the profit hence not deducted while computing the tax on profit.

Dominant Firm
A firm with the ability to set prices in its market.

Drawing and Disbursement Officer (DDO)
Disbursing officer refers to a Head of Office and also any Gazetted Officer so designated by a department of the government, a head of department or an administrator to draw bills and make payment on behalf of the government. The term shall also include a Head of Department or an Administrator where he himself discharges such functions.

Dual Economy
An economy where both technically advanced and technically primitive sectors exist, as in developing countries where advanced technology is applied to

extracting minerals or manufacturing while at the same time large parts of the country exist at subsistence level.

Dummy Variable
A variable with the value of either 1 or 0, used to indicate that some characteristic is present or absent.

Dumping
The sale of goods in a foreign market at a price that is below the price realized in the home country, after allowing for all costs of transfer including transportation charges and duties. The motive may be to enhance revenues, offload surplus stocks or a predatory intent of killing foreign competition.

E

Earnings
A general term embracing revenue, profit or net income.

Earnings Per Share
The earnings in monetary terms attributable to each equity share, based on net profit for the period, before taking into account prior period items, extraordinary items and adjustments resulting from changes in accounting policies but after deducting tax appropriate thereto and preference dividends, divided by the number of equity shares issued and ranking for dividends in respect of that period. It is considered as one of the important signposts of performance of the company.

Earnings-Price-Ratio (E/P)
The ratio of earnings per share available to common stockholders of a specific company for an accounting period to the market price per share of the common stock of that company. The reciprocal of the E/P ratio is the price- earnings ratio (P/E). The E/P ratio is a direct capitalization rate for equity and not a yield rate.

Easement
A right held by one person to use the land of another for a specific purpose, such as access to other property.

Econometric Model
A model of an aspect of the economy, using a statistical approach. Such models are used in forecasting macroeconomic trends.

Economic Appraisal
An economic appraisal considers not only the impact of a project on the organisation sponsoring the project, but also the external benefits and costs of the project for other government agencies, private sector enterprises and individuals-regardless of whether or not such impacts are matched by monetary payments.

Economic Development
Qualitative changes taking place in an economy. It usually refers to the adoption of new technologies, transition from agriculture based to industry based economy and general improvement in living standards.

Economic Efficiency
The reduction of the inputs needed to produce one unit of output, and so increasing the margin to the producer.

Economic Growth
The rate at which a country's national income grows, usually shown as an increase in GDP or GNP or an increase in per capita income. Economic growth is one aspect of the process of economic development. A country may be growing quantitatively by producing same type of goods but it may remain economically undeveloped in the sense qualitative changes may not be taking place.

Economic Indicator
A statistic which shows how the country's economy is going to perform in the short or long term (relating to factors such as unemployment rate or overseas trade).

Economic Output
Economic output measures the value of all sales of goods and services. Means it is the sum of the final purchases and intermediate inputs, therefore resulting in the double counting of intermediate purchases.

Economies of Scale
A situation in which a product is made more profitable by manufacturing it in larger quantities so that each unit costs less to make.

Economic Value Added (EVA)
Economic value added (EVA) is a measure of financial performance based on the residual wealth calculated by deducting cost of capital from operating profit, adjusted for taxes on a cash basis.

Economic Welfare
Economic welfare broadly refers to the level of Prosperity and living standards of either an individual or a group of persons. In the field of economics, it specifically refers to utility gained through the achievement of material goods and services.

Effective Demand
The desire on the part of consumers to acquire a good or service, together with their ability to pay for it.

Effective Yield
The actual return on an investment rather than the yield anticipated or promised when the investment is made.

Efficiency
The comparison of what is actually produced or performed with what can be achieved with the same consumption of resources (money, time, labor, etc). It is an important factor in determination of productivity.

Efficiency Wages
Wages that are set at above the market clearing rate so as to encourage workers to increase their productivity.

Elasticity of Substitution
The quantities demanded of two goods shown as a proportion of a change in their prices. It is measured as the ratio of proportionate change in the relative demand for two goods to the proportionate change in their relative prices.

Eminent Domain
The power of a government to take property for public purposes. Frequently used to obtain real property that cannot be purchased from owners in a voluntary transaction. Property owner receives fair compensation (market value at the time of the taking) as determined through court proceedings.

Encumbrance
A reservation of funds to cover obligations arising from purchase orders, contracts, or salary commitments that are chargeable to, but not yet paid from, a specific appropriation account.

Endogenous Growth
Endogenous growth theory has redefined the concept of economic growth. It assumes that the long-run rate of growth is primarily determined by endogenous variables that are internal to the system, such as human capital, innovation and investment capital; rather than exogenous factors where technological and scientific process are independent of economic forces. Accordingly, population growth and innovation have more impact on growth than physical capital.

E-Procurement
E-procurement (electronic procurement, sometimes also known as supplier exchange) is the business-to-business or business-to-consumer or business-to-government purchase and sale of supplies, work, and services electronically through either the Internet or other information and networking systems, such as electronic data interchange and enterprise resource planning

Equalization
The process by which an appropriate government body attempts to ensure that all property under its jurisdiction is assessed at the same level of assessment.

Equalized Valuations (EQVs)
The determination of an estimate of the fair market value of all property as of a certain taxable date.

Equity Yield Rate
The required rate of return on equity capital. It is calculated by dividing periodic cash flow (after debt service but before taxes) by investment in equity.

Equilibrium Price
The price at which the quantity supplied equals the quantity demanded so that there is no excess of supply or demand.

Exchange Controls
Limits on the amount of foreign currency that can be taken into a country, or of domestic currency that can be taken abroad.

Exchange Rate
The price of one country's currency expressed in another country's currency. In other words, the rate at which one currency can be exchanged for another. For example, the higher the exchange rate for one euro in terms of one yen, the lower the relative value of the yen.

Expansionary Policy
A policy by monetary authorities to expand money supply and boost economic activity, mainly by keeping interest rates low to encourage borrowing by companies, individuals and banks.

Expected Returns
The capital gain plus income that investors think they will earn by making an investment, at the time they invest.

Expenditure
Incurring a liability, disbursement of cash or transfer of property for the purpose of obtaining assets, goods and services.

Expense
A cost relating to the operations for an accounting period or to the revenue earned during the period or the benefits of which do not extend beyond that period.

External Balance
The situation in which a country invests abroad the same amount as other countries invest in it. It implies rising foreign currency reserves and a low overseas debt.

External Debt
The portion of a country's debt that was borrowed from foreign lenders including commercial banks, governments or international financial institutions. These loans, including interest, must usually be paid in the currency in which the loan was made.

External Deficit
A deficit in a country's balance of payments.

External Growth
The growth of a firm by buying other companies, rather than by expanding existing sales or products.

Extraordinary Item
Gain or loss which arises from events or transactions that are distinct from ordinary activities of the enterprise and which are both material and expected not to recur frequently or regularly. This would also include material adjustments necessitated by circumstances, which, though related to previous periods, are determined in the current period.

F

Factor Cost
Total cost of all factors of production i.e. land, labour, capital and entrepreneur consumed or used in producing of goods.

Factors of Production
An economic term to describe the inputs that are used in the production of goods or services in the attempt to make an economics profit. The factors of production include land, labour, capital and entrepreneurship.

Fair Value
Fair Value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fictitious Assets
Fictitious assets are not assets at all however they are shown as assets in the financial statements only for the time being. In fact, they are expenses & losses which for some reason couldn't be written off during the accounting period of their incidence. (e.g., the debit balance of the profit and loss statement).

Finance Accounts
The Finance Accounts reflect the overall financial position of the Government and contain information about the receipts and expenditures along with the status of liabilities and assets of government such as guarantee, loans given.

The Finance Accounts along with the Appropriation Accounts are parts of the final Annual Audited Accounts that are tabled before the Parliament/Legislature in the budget session.

Finance Bill
The Finance Bill is a Bill that is introduced every year to allow the Government of India to make financial proposals for the next following financial year and includes a Bill to give effect to supplementary financial proposals for any period.

As the Finance Bill contains taxation proposals, it is considered and passed by the Lok Sabha only after the Demands for Grants have been voted and the total expenditure is known.

Finance Commission
The (Central) Finance Commission is a constitutionally mandated body that is at the centre of fiscal federalism. Set up under Article 280 of the Constitution, its core responsibility is to evaluate the state of finances of the Union and State

Governments, recommend the sharing of taxes between them, lay down the principles determining the distribution of these taxes among States. Its working is characterised by extensive and intensive consultations with all levels of governments, thus strengthening the principle of cooperative federalism. Its recommendations are also geared towards improving the quality of public spending and promoting fiscal stability. The first Finance Commission was set up in 1951 and there have been fifteen so far.

Financial Appraisal
Financial appraisal is a method used to evaluate the viability of a proposed project by assessing the value of net cash flows that result from its implementation. Financial appraisals differ from economic appraisals in the scope of their investigation, the range of impacts analysed and the methodology used. A financial appraisal essentially views investment decisions from the perspective of the organization undertaking the investment. It therefore measures only the direct effects on the cash flow of the organisation of an investment, decision.

Financial Audit
A financial audit is the examination of the financial records of an entity by a certified third party examiner. This examination by a knowledgeable outsider is needed to provide credibility to an organization's financial statements. If an auditor does not find any issues, then he or she releases an audit opinion, which accompanies the certified financial statements when they are issued. Lenders, creditors, and investors want to see an audit opinion, as proof that the financial statements are correct.

Financial Inclusion
Financial inclusion has been defined as "the process of ensuring access to financial services, timely and adequate credit for vulnerable groups such as weaker sections and low-income groups at an affordable cost".

Financial Instrument
Certificate of ownership of a financial asset, such as a bond or a share.

Financial statements
Financial Statements are a structured representation of the financial position, financial performance and cash flows of an entity that is useful to a wide range of users in making and evaluating decisions about the allocation of resources. Financial statements comprise:
(a) A balance sheet (including statement of changes in equity annexed thereto);
(b) An Income and expenditure statement;
(c) A cash flow statement; and
(d) Notes, comprising a summary of significant accounting policies and other explanatory notes.

Financing
Means by which a government provides financial resources to cover a budget deficit or allocated financial resources arising from a budget surplus.

FinTech
Fintech, or financial technology, is the term used to describe any technology that delivers financial services through software, such as online banking, mobile payment apps or even cryptocurrency. Fintech is a broad category that encompasses many different technologies, but the primary objectives are to change the way consumers and businesses access their finances and compete with traditional financial services.

First In First Out (FIFO)
The first in, first out (FIFO) method of inventory valuation is a cost flow assumption that the first goods purchased are also the first goods sold. The FIFO flow concept is a logical one for a business to follow, since selling off the oldest goods first reduces the risk of inventory obsolescence.

Fiscal Accountability
Fiscal accountability refers to appropriate spending of public funds in a lawful way with proper accounting. Most Governments have enacted laws (called Fiscal Responsibility and Budget Management – FRBM Acts) mandating fiscal accountability at the national, sub-national and local levels.

Fiscal Deficit
Fiscal deficit occurs when the government's non-borrowed receipts fall short of its entire expenditure, it has to borrow money from the public to meet the shortfall. The excess of total expenditure over total non-borrowed receipts is called the fiscal deficit

Fiscal Devolution
Fiscal devolution is essentially the transfer of expenditure, responsibilities and revenue assignments to lower levels of government. Lower level of government, being closer to the people, is, in theory, more capable compared to central governments to meet citizen's preferences and demands in public goods and services.

Fiscal Drag
Fiscal drag is an economics term referring to a situation where a government's net fiscal position (equal to its spending less any taxation) does not meet the net savings goals of the private economy. This can result in deflationary pressure attributed to either lack of state spending or to excess taxation.

Fiscal Marksmanship
Fiscal marksmanship essentially refers to the accuracy of the government's forecast of fiscal parameters such as revenues, expenditures and deficits etc. In other words, if the difference between what the government projected as the likely tax revenues in the Budget and the actual figures a year later is large then it reflects poor fiscal marksmanship.

Fiscal Policy
The policy related to government spending and taxing for the specific purpose of stabilizing the economy.

Fiscal Responsibility and Budget Management (FRBM)

The Fiscal Responsibility and Budget Management Act provides a legal institutional framework for fiscal consolidation. It is now mandatory for the Central and State governments to take measures to reduce fiscal deficit, to eliminate revenue deficit and to generate revenue surplus in the subsequent years. The Act binds not only the present government but also the future Government to adhere to the path of fiscal consolidation. The Government can move away from the path of fiscal consolidation only in case of natural calamity, national security and other exceptional grounds which the Central Government may specify.

Fiscal Space

Fiscal space is the room in a government´s budget that allows it to provide resources for a desired purpose without jeopardizing the sustainability of its financial position or the stability of the economy.

Fiscal Transparency

Fiscal transparency – the comprehensiveness, clarity, reliability, timeliness, and relevance of public reporting on the past, present, and future state of public finances – is critical for effective fiscal management and accountability. It helps ensure that governments have an accurate picture of their finances when making economic decisions, including of the costs and benefits of policy changes and potential risks to public finances. It also provides legislatures, markets, and citizens with the information they need to hold governments accountable. Greater fiscal transparency can also help strengthen the credibility of a country's fiscal plans and can help underpin market confidence and market perceptions of fiscal solvency.

Fiscal Year

A fiscal year is a period that a company or government uses for accounting purposes and preparing financial statements.

Fixed Assets

Long-lived, tangible assets such as buildings, equipment and land obtained or controlled as a result of past transactions or circumstances.

Fixed Cost

The cost of production which by its very nature remains relatively unaffected in a defined period of time by variations in the volume of production.

Fixed Operating Expenses

Those costs of doing business that do not vary with occupancy or output and that have to be paid whether the property is occupied or vacant.

Foreign Direct Investment (FDI)

Foreign direct investment (FDI) is an investment made by a company or individual in one country in business interests in another country. Generally, FDI takes places when an investor establishes foreign business operations or acquires foreign business assets, including establishing ownership or controlling interest in a foreign company.

Foreign Institutional Investor
An institution established outside India, which proposes to invest in India.

Free Good
A good which is in plentiful supply and which has a negligible price.

Fringe Benefit
An extra item given by a company to workers in addition to a salary, such as company cars and private health insurance. Also called perk, perquisite.

Fund
An accounting entity with a self-balancing set of accounts that is segregated for the purpose of carrying on identified activities or attaining certain objectives in accordance with specific regulations, restrictions, or limitations.

Fundamental Accounting Assumptions
Basic accounting assumptions which underline the preparation and presentation of financial statements. They are going concern, consistency and accrual. Usually, they are not specifically stated because their acceptance and use are assumed. Disclosure is necessary if they are not followed.

Fund Balance
The difference between assets and liabilities reported in a governmental fund. Also known as fund equity.

Functional Devolution
Functional devolution is essentially the transfer of functions to lower levels of government.

The Eleventh Schedule added to the Constitution by the Seventy-third Amendment lists twenty-nine functions devolvable by States to rural local bodies. States are free to set the speed and design of their approach to decentralization under the general framework of the Constitutional mandate.

Fungibility
Fungibility is the right to exchange a product or asset with other individual products or assets of the same kind. Fungible assets simplify the processes of exchange and trade, as fungibility implies equal value among assets.

Future Value
Future value is the utility of cash or an asset at a particular date in the future. It shows the amount to which a current asset would grow over some time. The future value is a crucial concept as it shows the value of current savings in the future. It gives an idea of how much an investment today is worth in the future.

G

GDP Deflator
The GDP deflator (implicit price deflator) is a measure of the level of prices of all new, domestically produced, final goods and services in an economy.

Gender Budgeting
Gender Budgeting is a tool for achieving gender mainstreaming so as to ensure that benefits of development reach women as much as men. It is not an accounting exercise but an ongoing process of keeping a gender perspective in policy/ programme formulation, its implementation and review. Gender Budgeting entails dissection of the Government budgets to establish its gender differential impacts and to ensure that gender commitments are translated in to budgetary commitments.

General Equilibrium
Market situation where demand and supply requirements of all decision makers (buyers and sellers) have been satisfied without creating surpluses or shortages.

General Ledger
The accountant's record of original entry, which is instrumental in forming a paper trail of all government financial activity.

General Obligation Bond
It is a type of Municipal Bond where principal and interest are secured by full faith and credit of the issuer and usually guaranteed by either the issuer's unlimited or limited tax paying power. Issuer of such bonds is generally local governments and they're generally issued for the purpose of financing urban infrastructure.

General Purpose Financial Statements
General purpose financial statements are those intended to meet the needs of users who are not in a position to demand reports tailored to meet their particular information needs.

The term 'General Purpose Financial Statements' of Local Bodies includes balance sheet, income and expenditure statement, a cash flow statement and other statements and explanatory notes which form part thereof, issued for the use of various stakeholders, Governments and their agencies and the public.

Global Depository Receipt
A receipt denoting ownership of foreign-based corporation shares which are traded in numerous capital markets around the world. The prices of these GDRs are normally close to the value of embedded shares.

GNP Deflator
The GNP deflator is a price index that is used to adjust GNP for inflation. It is important to do this because you need to adjust for inflation to calculate real

GNP. Real GNP is GNP adjusted for inflation. It measures the percentage increase or decrease in the price of products and services (inflation) by comparing the current GNP to a base period.

Goods and Services Tax

GST is a comprehensive value- added tax levied on goods and services. In a GST regime, goods and services are not differentiated as they move through the supply chain. GST is typically levied on all transactions involving goods and services including import, supply of goods as well as provision of services. GST is levied on the value added at each stage of sale and purchase or supply with an inbuilt credit mechanism such that the tax is a pass through for businesses, and the tax burden is borne by the ultimate customer.

Government Accounts

The government accounts are kept in three parts:-

(i) Consolidated funds of India
(ii) Contingency funds of India
(iii) Public Account

Government Accounting Standards Advisory Board (GASAB)

GASAB was established by CAG in 2002 to cope with new priorities emerging in Public Finance. GASAB was set up to formulate and improve standard of Government accounting and financial reporting in order to enhance accountability mechanisms.

Governmental Accounting Standards Board (GASB)

The ultimate authoritative accounting and financial reporting standard-setting body for state and local governments.

Government Bonds

A debt security issued by a government to support government spending, most often issued in the country's domestic currency. Government debt is money owed by any level of government and is backed by the full faith of the government.

Government eMarketplace (GeM)

Government e Marketplace (GeM), is a portal which facilitates online procurement of common use Goods & Services required by various Government Departments / Organisations / PSUs. GeM aims to enhance transparency, efficiency and speed in public procurement. It provides the tools of e-bidding, reverse e-auction and demand aggregation to facilitate the government users, achieve the best value for their money.

Government Expenditure

Spending by a government, municipality or local authority. It covers things such as spending on health, education and social services, and is funded by tax revenue.

Government Securities
Bonds, notes, and other debt instruments sold by a government to finance its borrowings. These are generally long-term securities with the highest market ratings.

Grants
All non-repayable transfers received from other levels of government or from private individuals, or institutions including repatriation and gifts given for particular projects or programs, or for general budget support.

Grant-In-Aid
Such capital and recurring sums as may be necessary to enable a State to meet the costs of such schemes of development as may be undertaken by the State with the approval of the Government of India for the purpose of promoting the welfare of Scheduled Tribes in that State or raising the level of administration of the Scheduled Areas therein to that of the administration of the rest of the areas of that State**.**

Green Bonds
A green bond is a debt security issued by an organization for the purpose of financing or refinancing projects that contribute positively to the environment and/or climate. A green bond is alternatively known as a climate bond.

Green Investment
Green investments are traditional investment vehicles (such as stocks, exchange-traded funds and mutual funds) in which the underlying business (es) are somehow involved in operations aimed at improving the environment. This can range from companies that are developing alternative energy technology to companies that have the best environmental practices.

Green Procurement
Green Procurement (GPP) describes a range of policies that ensure environmental considerations are included in the procurement process. If done correctly, it can also positively affect all aspects of the triple bottom line – people, planet and profit.

Gross Domestic Product
This is a comprehensive measure of the economic activity that takes place in a country during a certain period. It is the total value of final goods and services produced in an economy in a year. The computation is on the basis of value added – the contribution of a producing enterprise is the difference between the value of its finished product and the cost of materials used.

Hence, national output is the total value added by all producing enterprises. More specifically, gross domestic product is expressed as C + I + G + (X – M).

Here C stands for consumption, which is the expenditure by consumers on consumption goods and services. I is 'Gross private Domestic Investment' representing the acquisition of new capital goods (e.g., plant and machinery) and inventory additions by business enterprises, as well as construction of factories, houses, etc. G denotes government expenditure on goods and services. (X-M) represents the difference between exports (S) and imports (M) of goods and services.

Gross National Product
Total market value of the finished goods and services manufactured within the country in a given financial year along with income earned by the local residents from investments made abroad, minus the income earned by foreigners in the domestic market.

Gross State Domestic Product (GSDP)
Gross State Domestic Product (GSDP) is a measure in monetary terms, the sum total volume of all finished goods and services produced during a given period of time, usually a year, within the geographical boundaries of the State, accounted without duplication. GSDP is the most important indicator for measuring the economic growth of a State.

H

Hard Currency
A currency, usually from a politically and economically strong country, that is widely accepted around the world as a form of payment for goods and services. A hard currency is expected to remain relatively stable through a short period of time, and to be highly liquid in the forex market. The U.S. dollar and the British pound are good examples of hard currencies.

Hawala
A traditional system of transferring money, whereby the money is paid to an agent who then instructs an associate in the relevant country or area to pay the final recipient.

Hedge
A protection against a possible loss (by taking an action which is the opposite of an action taken earlier), as by buying investments at a fixed price for delivery later to take measures as a protection against a possible loss.

Hoarding
The buying of large quantities of money or food to keep in case of need.

Horizontal Equity
Horizontal equity means that we apply exactly the same policy to people in the same situation. Tax levy is purely based on financial criterion. For example, if two people earn Rs 25,000 per year, then both of them should pay the same amount of tax.

Hot Money
Money which is moved from country to country or from investment to investment to get the best interest rates.

Hyperinflation
A condition of economy in which the role of price rises accelerates to extreme proportions. A feature of this kind of inflation is people's extreme reluctance to hold money, and the general social and political upheaval that occurs as whole social classes whose income is more or less fixed in money terms are economically ruined. Such a situation existed in Germany between 1918 and 1923 when in 1923 an inflation rose by 2500% within one month.

Hypothesis
A supposition or explanation (theory) that is provisionally accepted in order to interpret certain events or phenomena, and to provide guidance for further investigation. A hypothesis may be proven correct or wrong, and must be capable of refutation. If it remains unrefuted by facts, it is said to be verified or corroborated.

I

Immediate Payment Service (IMPS)
IMPS is instant, 24X7, interbank electronic fund transfer service that could be accessed on multiple channels like Mobile, Internet, ATM, SMS. IMPS is an emphatic service which allows transfer of funds instantly within banks across India which is not only safe but also economical.

Impairment Loss
A special non-recurring charge taken to write down an asset with an overstated book value. Generally an asset is considered to be value-impaired when its book value exceeds the future net cash flows expected to be received from its use. An impairment write down reduces an over- stated book value to fair value.

Imports
Purchases of foreign goods and services.

Incidence
A reference to the person or persons who ultimately bear the burden of the tax. Tax incidence is related to the price elasticity of supply and demand. For example, if the government decides to impose an increased tax on cigarettes whose demand is fairly inelastic, the producers may increase the sale price by the full amount of the tax. If consumers still purchased cigarettes in the same amount after the increase in price, it would be said that the tax incidence fell entirely on the buyers.

Income and Expenditure Statement
An income and expenditure statement is a type of financial document that is prepared to determine surplus or deficit of income over expenditures for a particular time frame.

Income Approach
Method of assessing market values of properties which measures value by the present value (sometimes called capitalized value) of the future net income expected to be generated by the property.

Indirect Cost
Costs of a service not reflected in the operating budget of the entity providing the service. An example of an indirect cost of providing water service would be the value of time spent by non-water department employees processing water bills. Determination of these costs is necessary to analyse the total cost of service delivery. The matter of indirect costs arises most often in the context of enterprise funds.

Indirect Taxes
Taxes levied on goods and services rather than income of the consumer or earner. The burden of this tax is passed over during the different stages of the product. Examples of indirect taxes in India are Excise duty, Custom duty, VAT and Service Tax.

Inflation
The process of a persistent and generalized increase in the level of prices, usually measured by the annual rate of exchange of the Retail Price Index.

Inflation Tax
A type of taxation which a government operates by altering the money supply. If the supply of money increases then the value of existing money falls, so creating a type of tax on existing holders of money.

Inflationary Gap
A situation in which demand exceeds the level of output possible with full employment and so forces a rise in prices.

Inflationary Spiral
A situation in which rising prices encourage higher wage demands which in turn make prices rise.

Input Tax Credit (ITC)
Input Tax Credit means claiming the credit of the Goods & Service Tax (GST) paid on purchase of Goods and Services which are used for the furtherance of business.

Insurance
Insurance is a contractual agreement under which the insured party promises to pay the insurer a periodic amount in exchange for a payout in the event of a future loss. If such a loss occurs, the insured party may be required to retain a portion of the loss (known as a deductible), while the insurer pays the remaining

amount. Insurance is used as a risk mitigation tactic by individuals and businesses. Certain types of insurance are required, depending on the laws of the governing jurisdiction.

Integrated Financial Management Information System (IFMIS)
Integrated financial management information systems (IFMIS) are systems to support management of public sector budgetary, financial, and accounting operations and promote better public financial management with a centralized registry of public sector revenues and expenditures.

Interest
Compensation paid or to be paid for the use of money, including amounts payable at periodic intervals or discounted at the time a loan is made. In the case of municipal bonds, interest payments accrue on a day-to-day basis, but are paid every six months.

Interest Rate
The interest payable, expressed as a percentage of the principal available, for use during a specified period of time. It is always expressed in annual terms.

Intergovernmental Revenues
Funds exchanged between levels of government, usually from the federal government to state governments or from state governments to local government.

Internal Audit
Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Internal auditing is a catalyst for improving an organization’s effectiveness and efficiency by providing insight and recommendations based on analyses and assessments of data and business processes.

Internal balance
A situation in which a national economy enjoys full employment and stable prices, leading to a stable rate of inflation.

Internal Control
Internal control is an important management tool and comprises all the methods and procedures adopted by the management of an entity to assist in achieving management’s objective of ensuring orderly and efficient conduct of its business, including adherence to policies, the safeguarding of assets, prevention and detection of fraud and error, the accuracy and completeness of the accounting records and the timely preparation of reliable financial information. A well-defined monitoring mechanism and Management Information System (MIS), reflect the existence of systems to make available timely, adequate and accurate information to the relevant authority in the organisation.

Internal Rate of Return (IRR)
The internal rate of return (IRR) is a discounting cash flow technique which gives a rate of return earned by a project. The internal rate of return is the discounting rate where the total of initial cash outlay and discounted cash inflows are equal to zero. In other words, it is the discounting rate at which the net present value (NPV) is equal to zero.

International Public Sector Accounting Standards (IPSASs)
IPSAS are financial reporting standards for use by public sector entities to prepare their general purpose financial reports. IPSAS are developed by the International Public Sector Accounting (IPSASB) of the International Federation of Accountants (IFAC). They are the public sector equivalent of International Financial Reporting Standards (IFRS), which apply to private sector companies and are developed by the International Accounting Standards Board (IASB). Till date, the IPSASB had issued 44 IPSASs.

IPSAS deal with financial reporting under cash basis of accounting and accrual basis of accounting.

Inventory
Tangible property held for sale in the ordinary course of business, or in the process of production for such sale, or for consumption in the production of goods or services for sale, including maintenance supplies and consumables other than machinery spares.

Investment
Expenditure on assets held to earn interest, income, profit or other benefits.

K

Know Your Customer (KYC)
KYC means to ‘know your customer’ which is an effective way for an institution to confirm and thereby verify the authenticity of a customer. For this, the customer is required to submit required KYC documentation periodically. All financial institutions are mandated by the Reserve Bank of India to do the KYC process for all customers periodically before giving them the right to carry out any financial transactions.

L

Labour Intensive
A production process that involves comparatively large amounts of labour.

Laffer Curve
Considers the relationship between tax rates and their respective impact on tax revenue. The curve suggests that as taxes increase from low levels, tax revenue collected by the government also increases. It also shows that tax rates increasing after a certain point would cause people not to work as hard or not at all, thereby reducing tax revenue. Eventually, if tax rates reached 100%, then all people would choose not to work because everything they earned would go to the government.

Laissez-Faire Economy
An economy where the government does not interfere because it believes it is right to let the economy run itself.

Land
In economics, the surface of the earth and all the natural resources and natural productive powers over which possession of the earth's surface gives man control. In law, a portion of the earth's surface, together with the earth below it, the space above it, and all things annexed thereto by nature or by man.

Last In First Out (LIFO)
The last in, first out method is used to place an accounting value on inventory. The LIFO method operates under the assumption that the last item of inventory purchased is the first one sold.

Levy
An act of imposing a tax or fine.

Licenses and Permits
Documents issued by the county in order to regulate various kinds of businesses and other activities. Inspection may accompany the issuance of a license or permit, as in the case of food- vending licenses or building permits. In most instances, a fee is charged in conjunction with the issuance of a license or permit, generally to cover all or part of the related cost.

Lifecycle Costing
Lifecycle costing is the process of compiling all costs that the owner of an asset will incur over its lifespan. These costs include the initial investment, future additional investments, and annual recurring costs, minus any salvage value.

Line-item Budget
A budget that separates spending into categories, or greater detail, such as supplies, equipment, maintenance, or salaries, as opposed to a program budget.

Liquidity
In financial markets, liquidity refers to how quickly an investment can be sold without negatively impacting its price. The more liquid an investment is, the more quickly it can be sold (and vice versa), and the easier it is to sell it for fair value or current market value. All else being equal, more liquid assets trade at a premium and illiquid assets trade at a discount.

Long-term Debt
Community borrowing, or outstanding balance at any given time, involving loans with a maturity date of 12 months or more.

Lump Sum Tax
A tax for which the individual's liability does not depend on how much the individual earns.

M

M1
A measure of the stock of money in India, which is also referred to as "Narrow Money". M1 is calculated by adding the net demand deposits of banks and 'Other' deposits with the Reserve Bank of India (RBI) to the sum of currency notes and coins held by the public. 'Net demand deposits' comprises current account deposits and a portion of the savings deposits considered as a demand liability, all held by the public; 'Other' deposits with RBI refers to funds held by certain institutions like the Industrial Development Bank of India and International Monetary Fund, foreign governments and central banks.

M2
The sum of M1 and post office savings bank deposits.

M3
M3= Net bank credit to the government + Bank credit to the commercial sector + Net foreign exchange assets of the banking sector + Government currency liability to the public – Net non-monetary liabilities of the banking factors (other than time deposit)

M4
The sum of M3 and total post office deposits less National Savings Certifications.

Machine Learning (ML)
Machine learning is a subset of data science that provides the ability to learn and improve from experience without being programmed. Machine learning in finance is now considered a key aspect of several financial services and applications, including managing assets, evaluating levels of risk, calculating credit scores, and even approving loans.

Macro Economics
Study of the behavior of the whole (aggregate) economies or economic systems instead of the behavior of individuals, individual firms, or markets (which is the domain of Micro Economics). Macro Economics is concerned primarily with the forecasting of national income, through the analysis of major economic factors that show predictable patterns and trends, and of their influence on one another.

Marginal Benefit
A marginal benefit is an additional satisfaction or utility that a person receives from consuming an additional unit of a good or service. A person's marginal

benefit is the maximum amount he is willing to pay to consume that additional unit of a good or service. In a normal situation, the marginal benefit decreases as consumption increases.

Marginal Cost
Additional cost of producing one more unit of output.

Marginal Rate of Substitution
In economics, the marginal rate of substitution is the rate at which a consumer is ready to give up one good in exchange for another good while maintaining the same level of utility. At consumption levels, our marginal rates of substitution are identical.

Marginal Revenue
Additional revenue that will be generated by increasing product sales by one unit.

Marginal Utility
Marginal Utility theory examines the increase in satisfaction consumers gain from consuming an extra unit of a good. It helps in determining the optimum consumption level which would be when Marginal Utility = Price. If the price is higher than the utility in monetary terms, the consumer would not buy the additional goods. For example, there is no point in paying 75p for a cake when it is only worth 50p.

Marginal Utility Theory
Theory of consumer choice that says that consumers will maximize welfare by allocation of their budget such that the marginal utility per dollar is equalized across all purchased goods.

Market Capitalization
The market value of a company's shares calculated by multiplying quoted market price of a share by the total number of shares outstanding. Also known as 'Market Cap'.

Market Price
The price a particular buyer and seller agree to in a particular transaction; the amount actually paid.

Maturity Date
The date that the principal of a bond or debt becomes due and payable in full.

Merit Goods
Goods or Services (such as education and vaccination) provided free for the benefit of the entire society by a government, because they would be under-provided if left to the market forces or private enterprise.

Monetary Policy
Monetary policy is the process by which the monetary authority of a country controls the supply of money, often targeting a rate of interest for the purpose of promoting economic growth and stability. The official goals usually include relatively stable prices and low unemployment. Monetary theory provides insight

into how to craft optimal monetary policy. It is referred to as either being expansionary or contractionary, where an expansionary policy increases the total supply of money in the economy more rapidly than usual, and contractionary policy expands the money supply more slowly than usual or even shrinks it. Expansionary policy is traditionally used to try to combat unemployment in a recession by lowering interest rates in the hope that easy credit will entice businesses into expanding. Contractionary policy is intended to slow inflation in the hope of avoiding the resulting distortions and deterioration of asset values.

Monetised Deficit
Monetised deficit also known as the 'net reserve bank credit to the government', it is that part of the government deficit which is financed solely by borrowing from the RBI. In other words, monetised deficit means the increase in the net RBI credit to the central government, such that the monetary needs of the government could be met easily.

Money Laundering
Money laundering is the process by which money obtained illegally is circulated in the economy and is given the appearance of having originated from a legitimate source.

Monopoly
Market situation where one producer (or a group of producers acting in concert) controls supply of a good or service, and where the entry of new producers is prevented or highly restricted.

Monopolistic Competition
A market structure in which several or many sellers each produce similar, but slightly differentiated products. Each producer can set its price and quantity without affecting the marketplace as a whole.

Monopsony
Monopsony is where there is one buyer with many sellers.

Multiplier
In an economic model, a multiplier is a number that quantifies the relationship between the change in one economic quantity and the change in another directly related economic quantity.

Municipal Bonds
Bonds issued by the local government, or their agencies. They are an evidence of the debt obligation of the issuing body. The two basic types of municipal bonds are General Obligation Bonds and Revenue Bonds.

N

National Debt
The money borrowed by a government which has not been repaid.

National Electronic Fund Transfer (NEFT)
National Electronic Funds Transfer (NEFT) is a mode of online funds transfer introduced by the Reserve Bank of India. It quickly transfers money between banks throughout India. A bank branch must be NEFT-enabled for a customer to be able to transfer the funds to another party.

National Income
The total net value of all goods and services produced within a nation over a specified period of time, representing the sum of wages, profits, rents, interest, and pension payments to residents of the nation.

National Income Accounts
National accounts showing the value of goods and services produced and sold both domestically and exported over a period of one year. They cover both GDP and GNP, together with other income from investments abroad.

National Infrastructure Pipeline (NIP)
NIP is a forward outlook programme on infrastructure projects of worth over ₹102 lakh crore for the next five years that is from 2019-20 to 2024-25. The National Infrastructure Pipeline is envisioned to pump up the local and national social and economic indicators with heavy investments in the infrastructure from both the state as well as the private sector.

National Monetization Pipeline (NMP)
NMP aims to unlock value in brownfield projects by engaging the private sector, transferring to them revenue rights and not ownership in the projects, and using the funds generated for infrastructure creation across the country. Currently, only assets of central government line ministries and Central Public Sector Enterprises (CPSEs) in infrastructure sectors have been included which have been “de-risked” from execution risks, and therefore should encourage private investment.

Natural Monopoly
A type of monopoly that exists as a result of the high fixed or start-up costs of operating a business in a particular industry. Because it is economically sensible to have certain natural monopolies, governments often regulate those in operation, ensuring that consumers get a fair deal.

Natural Resource Accounting
Natural resource accounting is the compilation, within an accounting framework, of data relating to natural resources which are organised in terms of stocks and flows. The term also covers the interpretation of data and reporting. Natural resources accounts may involve both physical units and monetary values.

Net Assets
The excess of the book value of assets (other than fictitious assets) of an enterprise over its liabilities. This is also referred to as net worth or shareholders' funds.

Net Domestic Product
The value of all products and services produced in a country less the value of the capital used to produce them.

Net Income
The income expected from property after deductions of allowable expenses

Net Lending
Advances by the national government for the servicing of government guaranteed corporate debt during the year, net of repayments on such advances. Includes loans outlays or proceeds from program loans relating to government corporations.

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Net Operating Income
A company's operating income after operating expenses are deducted, but before income taxes and interest are deducted. If this is positive value, it is referred to as net operating income, while a negative value is called a net operating loss.

Net Present Value
A discounted cash flow measure to evaluate the viability of an investment proposal. It serves to determine whether the present value of estimated future cash flows exceeds the investment on a project. The net present value is the difference of the sum of discounted cash inflows and outflows (including initial outlay).

Net Profit
The excess of revenue over expenses during a particular accounting period. When the result of this computation is negative, it is referred to as net loss. The net profit may be shown before or after tax.

Net Realisable Value
The actual/estimated selling price of an asset in the ordinary course of the business less cost of completion and cost necessarily to be incurred in order to make the sale.

Net Worth
Net worth is a measure of wealth. Net worth is the sum of all assets owned by a person or an entity, minus any obligations or liabilities.

Nominal Income
Income that has not been adjusted for inflation and decreasing purchasing power.

Non-Developmental Expenditure
Expenditures in the nature of consumption such as Defence, interest payments, expenditure on law and order, public administration, do not create any productive asset which can bring income or returns to the government are non-developmental expenditure.

Non-Excludability
Consumption of good is non-excludable when it is either very expensive or impossible to prevent anyone from consuming the good.

Non-Guaranteed Bond or Revenue Bond
Only revenues from a particular source are pledged to pay the interest and repay the principal to the investors.

Non-Plan Expenditure
Consists of government's Revenue and Capital Expenditure on interest payments, Defence Expenditure, subsidies, postal deficit, police, pensions, economic services, loans to public sector enterprises and loans as well as grants to State governments, Union territories and foreign governments.

Non-Tax Revenue
Revenue collected from sources other than compulsory tax levies. Includes those collected in exchange for direct services rendered by government agencies to the public, or those arising from the government's regulatory and investment activities.

Notes to Accounts
Notes to accounts or Notes to Financial Statements are supporting information that is usually provided along with an entity's final accounts or financial statements. Many such notes are required to be provided by law, including details related to provisions, reserves, depreciation, investments, inventory, share capital, employee benefits, contingencies, etc.

O

Obsolescence
Diminution in the value of an asset by reason of its becoming out-of-date or less useful due to technological changes, improvement in production methods, change in market demand for the product or service output of the asset, or legal or other restrictions.

Open Data
Open data is data that is openly accessible, exploitable, editable and shared by anyone for any purpose, even commercially. Open data is licensed under an open license.

Open Government Data (OGD) Platform India – data.gov.in – is a platform for supporting Open Data initiative of Government of India. The portal is intended to be used by Government of India Ministries/ Departments their organizations to publish datasets, documents, services, tools and applications collected by them for public use. It intends to increase transparency in the functioning of Government and open avenues for many more innovative uses of Government Data to give different perspective.

Open Economy
An economy which is open for commercial transactions with the rest of the World.

Operating Expenses
An expense incurred in carrying out an organizations day- to- day activities but not directly associated with production. Operating expenses includes such things as payroll, sales commission, employee benefits and pension contributions, transportation and travel, amortization and depreciation, rent repairs & taxes.

Opportunity Cost
Opportunity cost refers to a benefit that a person could have received, but gave up, to take another course of action. Stated differently, an opportunity cost represents an alternative given up when a decision is made. This cost is, therefore, most relevant for two mutually exclusive events. In investing, it is the difference in return between a chosen investment and one that is necessarily passed up.

Ownership
The rights to the use of property, to the exclusion of others.

Own-source Revenue
Own-source revenue (OSR) refers to sources of revenue at the disposal of local government, including property tax, user charges, fees, and fines.

Resources from higher level governments are often tied funds and involve conditionalities. Local governments spend such funds mostly as their agents whereas own source revenue can be spent on items which they consider to be important for their population.

P

Pareto Efficiency
An economic state where resources are allocated in the most efficient manner. Pareto efficiency is obtained when a distribution strategy exists where one party's situations cannot be improved without making another party's situation worse. Pareto efficiency does not imply equality or fairness.

Pareto Improvement
A reallocation of resources that makes one person better off without making anyone else worse off.

Partial Exemptions
The amount of otherwise-taxable assessed value removed from tax liability by constitutional and/or statutory action.

Pay and Accounts Office (PAO)
The Pay and Accounts Officer is a government officer authorised to draw funds by means of cheques drawn on Reserve Bank of India accredited for handling the receipts and payments.

Payback Period
The payback period is the time taken to recover an investment's initial investment. It is the number of years to repay the initial investment made for a project. Hence, the payback period would be used as a tool in capital budgeting to compare projects and calculate the period to get back the initial investment. Normally, a project with lower payback period is chosen.

Peak Rate
Is the highest rate of Customs Duty applicable on an item.

Performance Audit
Performance audits are independent reviews of government- funded organizations. They seek to assess the efficiency and effectiveness with which the funds are being utilised since these funds belong to public. Such utilisation is to be analysed from both financial and social viewpoint. The examination is done using structured and professionally adopted methodologies.

Performance Budget
Performance budgeting is generally understood as a system of presentation of public expenditure in terms of functions, programme, performance, units viz activities / project etc reflecting primarily the government output and its cost. It is essentially a process which brings out the total government operations through a classification by functions, programs and activities.

Permanent Debt
Borrowing by a community typically involving a debt service.

Phillips Curve
The inverse relationship between unemployment rate and inflation when graphically charted is called the Phillips curve. William Phillips pioneered the concept first in his paper "The Relation between Unemployment and the Rate of Change of Money Wage Rates in the United Kingdom, 1861-1957,' in 1958. This theory is now proven for all major economies of the world.

Place of Supply
Place of supply of goods under GST defines whether the transaction will be counted as intrastate or interstate, and accordingly levy of SGST, CGST & IGST will be determined.

Plan Expenditure
Money given from the government's account for the Central Plan is called Plan Expenditure. It consists of both Revenue Expenditure and Capital Expenditure, Central Assistance to States and Union Territories.

Plan Outlay
Is the amount for expenditure on projects, schemes and programmes announced in the plan. The money for the Plan Outlay is raised through budgetary support and internal and extra-budgetary resources. The budgetary support is also shown as plan expenditure in government accounts.

Prepaid Payment Instruments (PPIs)
PPIs are instruments (like tokens) that facilitate purchase of goods and services, conduct of financial services, enable remittance facilities, etc., against the value stored therein.

Primary Deficit
Fiscal Deficit minus Interest payments. It indicates how much of the government borrowings are going to meet expenses other than the interest payments on earlier loans.

Prior Period Item
A material charge or credit which arises in the current period as a result of errors or omissions in the preparation of the financial statements of one or more prior periods.

Private Good
A good which must be paid for, and of which the supply is reduced as it is consumed.

Profit Centre
A Profit Centre is a department or a unit, or a responsibility centre inside an entity that is capable of generating revenues, consequently, profit or loss.

Progressive Tax
Is a tax where the rich pay a larger percentage of income than the poor.

Progressive Tax Structure
A tax structure in which the marginal tax rate increases as the level of income increases.

Project Appraisal
Project appraisal is a cost and benefits analysis of different aspects of proposed project with an objective to adjudge its viability.

Propensity to Tax
The ratio between national income and the tax which is taken from it by a government.

Proportional Taxation
The burden of taxation remains the same over all levels of income.

Pro rata
Pro rata is the term used to describe a proportionate allocation. It is a method of assigning an amount to a fraction according to its share of the whole. While a pro rata calculation can be used to determine the appropriate portions of any given whole, it is most commonly used in business finance.

Provision
An amount written off or retained by way of providing for depreciation or diminution in the value of assets or retained by way of providing for any known liability the amount of which cannot be determined with substantial accuracy. In other words, it can be measured only by using substantial degree of estimation.

Public Account
It is an account where money received through transactions not relating to consolidated fund is kept. In the Public Account constituted under Article 266 (2) of the Constitution, the transactions relate to debt other than those included in the Consolidated Fund of India. The transactions under Debt, Deposits and Advances in this part are those in respect of which Government incurs a liability to repay the money received or has a claim to recover the amounts paid. The transactions relating to `Remittance' and `Suspense' shall embrace all adjusting heads. The initial debits or credits to these heads will be cleared eventually by corresponding receipts or payments. The receipts under Public Account do not constitute normal receipts of Government. Parliamentary authorization for payments from the Public Account is therefore not required.

Public Debt
The national debt, plus other debts for which the central government is ultimately responsible, such as the debts of nationalized industries.

Public Expenditure
The term 'Public Expenditure' refers to the expenses incurred by the Government for its own maintenance and also for the preservation and welfare of society and economy as a whole. It refers to the expenses of the public authorities, Central, State and Local Governments, for protecting the citizens and for promoting their economic and social welfare.

Public Finance
The branch of economics that is concerned with the finances of the government. Thus, it studies taxation, the government budget and its expenditure and the influence that these have on money market and the economy generally. An important aspect of the public finance is the efficiency with which the funds at the disposal of the government are used to achieve its policy aims and ways in which the effectiveness of the government's financial arrangement can be improved. Public finance is one of the oldest branches of economics.

Public Finance Management System (PFMS)
The Public Financial Management System (PFMS) is a web-based online software application developed and implemented by the Controller General of Accounts (CGA), Department of Expenditure, Ministry of Finance, Government of India. PFMS started during 2009 with the objective of tracking funds released

under all Plan schemes of Government of India, and real time reporting of expenditure at all levels of Programme implementation.

Public Financial Management (PFM)

Public financial management (PFM) is the way governments manage public resources, including collecting revenue and controlling expenditure, and the impact such resources have on the economy and society. Improving PFM will help governments in the delivery of all their services and achieving the UN's Sustainable Development Goals.

Public Good

A commodity that is non-rival in consumption. The fact that one person consumes it does not prevent anyone else from doing so as well.

Public Investment Management (PIM)

Public investment management relates to the ways that governments manage its investment expenditure, i.e. how they select, construct and maintain their public assets.

Public Private Partnerships (PPPs)

Arrangements whereby the public and private sectors form joint ventures to deliver public services. They can be classified in national accounts to either the public or private sectors depending on which party has the larger share.

Public Procurement

Public procurement refers to the purchase by governments and state-owned enterprises of goods, services and works. As public procurement accounts for a substantial portion of the taxpayers' money, governments are expected to carry it out efficiently and with high standards of conduct in order to ensure high quality of service delivery and safeguard the public interest.

Public Spending

Spending by the government or by local authorities.

Public Utilities

Companies (such as electricity, gas or transport) which provide a service used by the whole community.

Purchasing-power Parity

Purchasing power parity (PPP) is an economic theory that compares different countries' currencies through a "basket of goods" approach. According to this concept, two currencies are in equilibrium or at par when a basket of goods (taking into account the exchange rate) is priced the same in both countries.

R

Raise and Appropriate
A phrase used to identify a funding source for an expenditure or expenditures which refers to money generated by the tax levy, or other local receipt.

Real Terms Figures
Amounts adjusted for the effect of general price inflation as measured by the GDP market price deflator. Enables comparisons of spending across years without the distortion caused by price changes.

Real Time Gross Settlement (RTGS)
RTGS is a funds transfer systems where transfer of money takes place from one bank to another on a "real time" and on "gross" basis. Settlement in "real time" means payment transaction is not subjected to any waiting period.

Recession
A period in the trade cycle in which there is temporary unemployment of workers and machinery. Traditionally, such periods are also associated with falling price and wages. When a recession lasts for longer than a couple of years, it is known as depression.

Recessionary Gap
This is a situation wherein the real GDP is lower than the potential GDP at the full employment level. The economy operates below the full employment level in a recessionary gap.

Referendum
A referendum is a direct vote in which an entire electorate is asked to vote on a particular proposal. This may result in the adoption of a new law.

Reflate
To improve the economy of a country by increasing the amount of money that people are earning and spending in the country. And reflation is the effort to fight deflation by increasing the money supply, lowering interest rates and increasing Government spending.

Reflation
The act of stimulating the economy by increasing the money supply or by reducing taxes.

Reflationary Policy
A policy which aims to stimulate economic activity. Such a policy can be fiscal, by reducing the level of taxation, or monetary such as increasing government spending.

Regional Policy
The policy of a central government towards the regions of the country, by which it hopes to encourage economic development and raise the standard of living in certain deprived regions.

Regressive Tax
A tax system that provides that average tax rates decrease with increases in individuals' income brackets. It is a tax in which the poor pay a larger percentage of income than the rich. Progressive Tax is the exact opposite of regressive tax.

Regulatory Sandbox
A regulatory sandbox usually refers to live testing of new products or services in a controlled/test regulatory environment for which regulators may (or may not) permit certain regulatory relaxations for the limited purpose of the testing.
Regulatory sandboxes can play an important role in fostering the innovation needed for overcoming the barriers to financial inclusion that keep poor and excluded customers marginalized from the formal financial system. Sandboxes allow regulators to base their regulatory response to innovations on the results of live experiments. In frontier cases, this helps regulators to make faster and better informed decisions on how to appropriately regulate (and supervise) new services and providers reaching the marketplace.

Reimbursement
The act of compensating someone for an out-of-pocket expense by giving them an amount of money equal to what was spent.

Remonetisation
The act or process of remonetising, or restoring to the status of legal tender.

Repo Rate
The rate at which the RBI lends money to the commercial banks. It is an instrument of monetary policy. Whenever banks have any shortage of funds they can borrow from the RBI. A reduction in the repo rate helps banks get money at a cheaper rate and vice-versa. The repo rate in India is similar to the discount rate in the US.

Repressed Inflation
Inflation prevented by the government through direct controls without removing the underlying inflationary pressures. Actual inflation exists as per the market forces. If such inflation prevails for a long time, it generally leads to short supply of goods and encourages practices such as black marketing and hoarding.

Reserve Currency
A strong currency used in international finance, held by other countries to support their own weaker currencies.

Results Based Financing (RBF)
Results-based financing is an umbrella term referring to any program or intervention that provides rewards to individuals or institutions after agreed-upon results are achieved and verified. Results-based financing (RBF) holds out the

promise of tackling spending inefficiencies and making more effective use of education resources.

Returns to Scale
Returns to scale arises in the context of a firm's production function. It explains the behaviour of the rate of increase in output (production) relative to the associated increase in the inputs (the factors of production) in the long run.

Revenue
All funds that the country receives, including tax payments, fees for specific services, receipts from other governments, fines, forfeitures, shared revenues, and interest income.

Revenue Bonds
A type of bond that is issued to finance a revenue producing enterprise, with principal and interest payable exclusively from the earnings and other revenues of the enterprise. Revenue Bonds account for a majority of municipal bonds used to finance infrastructure, including water, sewer, and solid waste systems. They are generally tax-exempt.

Revenue Budget
Revenue budget involves revenue receipts and revenue expenditure. These expenditures and receipts are related to the day to day functioning of the government.

Revenue Deficit
Is the difference between Revenue Expenditure and Revenue Receipts.

Revenue Expenditure
Expenditure that does not result in the creation of assets. This refers to the money spent on the normal functioning of the government departments and various other services such as interest charges on debt incurred by the government..

Revenue Receipt
Consists of tax collected by the government and other receipts consisting of interest and dividend on investments made by government, fees and other receipts for services rendered by government.

Revenue Surplus
Revenue surplus is the excess of Revenue Receipts over Revenue Expenditures. "Revenue receipts" refer to all money the business makes through its operations and Revenue Expenditures are all the expenditures which are incurred in the day- to- day conduct of business.

Reverse Charge
Reverse charge is a mechanism under GST under which the recipient of the goods or services is liable to pay the tax instead of the provider of the goods and services.

Reverse Repo Rate
Reverse Repo rate is the rate at which banks park their short-term excess liquidity with the RBI. The banks use this tool when they feel that they are stuck with excess funds and are not able to invest anywhere for reasonable returns. An increase in the reverse repo rate means that the RBI is ready to borrow money from the banks at a higher rate of interest. As a result, banks would prefer to keep more and more surplus funds with RBI.

Revised Estimates
Is the difference between the Previous Budget Estimates and the actual expenditure, which is usually presented in the following Budget.

Risk-based Audit
The Risk Based Audit Approach is designed and implemented by the auditor to focus the nature, timing and extent of the audit procedures on those areas which have high potential of material mis-statement. The auditor should focus on those areas where there is high risk of material mis-statements as compared to those where there is low possibility of risk.

Risk Management
The process of identification, analysis and either acceptance or mitigation of uncertainty in investment decision-making. Essentially, risk management occurs anytime an investor or fund manager analyses and attempts to quantify the potential for losses in an investment and then takes the appropriate action (or inaction), given their investment objectives and risk tolerance. Inadequate risk management can result in severe consequences for companies as well as individuals.

Robotic Process Automation (RPA)
Robotic process automation (RPA) is the term used for software tools that partially or fully automate human activities that are manual, rule-based, and repetitive.

RuPay
RuPay is an indigenously developed Payment System – designed to meet the expectation and needs of the Indian consumer, banks and merchant eco-system. RuPay supports the issuance of debit, credit and prepaid cards by banks in India and thereby supporting the growth of retail electronic payments in India.

S

Sales Tax
A tax levied as a percentage of retail sales.

Sampling
Sampling is the method of selecting a small section of a larger group in order to estimate the characteristics of the entire group. Obtaining information from a

large data set can be time-consuming, so taking sample data can be quicker and provides similar results.

Securities Transaction Tax (STT)
Applicable if dealing in shares or mutual fund units. It was introduced in the 2004-05 budget, replacing the tax on profits earned from the sale of shares held for more than a year (known as long-term capital gains tax).

Securitisation
Securitisation involves transactions where credit risk in assets are redistributed by repackaging them into tradeable securities with different risk profiles which may give investors of various classes access to exposures which they otherwise might be unable to access directly.

Short-term Debt
Outstanding balance, at any given time, on amount borrowed with a maturity date of 12 months or less.

Significant Accounting Policies
The significant accounting policies is a section that accompany an entity's financial statements, describing the key policies being followed by the accounting department. They are mandated by the applicable accounting framework (such as GAAP or IFRS). These frameworks require an organization to disclose its most important policies, the appropriateness of those policies, and how they impact the reported financial position of the entity.

The policy summary can include policies from a broad range of operational and financial areas, including cash, receivables, intangible assets, asset impairment, inventory valuation, types of liabilities, revenue recognition, and capitalised costs.

The disclosure of accounting policies is particularly important in situations where an organization chooses to follow policies that depart from the policies generally used within its industry. By perusing these policies, the investment community will have a better understanding of how the accounting policies used could alter the reported financial results and financial position of an entity.

Smart Contract
Smart contracts are self-executing contracts in which the contents of the buyer-seller agreement are inscribed directly into lines of software code.

Social Accounting
A method of presenting a country's national accounts on a per-sector basis, showing the trade achieved by each sector of the economy.

Social Audit
A social audit is a way of measuring, understanding, reporting and ultimately improving an organization's social and ethical performance. A social audit helps to narrow gaps between vision/goal and reality, between efficiency and effectiveness. It is a technique to understand, measure, verify, report on and to improve the social performance of the organization.

Social opportunity cost
The opportunity cost to the society of making a certain good or service, at the expense of using the factor of production for a different good or service.

Soft Currency
Opposite to hard currency, a currency that is expected to fluctuate erratically or depreciate relative to other currencies.

Special Assessment Exemption
Full discharge from the payment of betterments and special exemptions granted only to government properties occupied for public purposes.

Special Drawing Rights (SDR)
The SDR is an international reserve asset created by the IMF to supplement the official reserves of its member countries.

The SDR is not a currency. It is a potential claim on the freely usable currencies of IMF members. As such, SDRs can provide a country with liquidity.

A basket of currencies defines the SDR: the US dollar, Euro, Chinese Yuan, Japanese Yen, and the British Pound.

Special Purpose Vehicle (SPV)
The SPV is usually a subsidiary company with an asset/liability structure and legal status that makes its obligations secure even if the parent company goes bankrupt. The main objective of SPV is to distinguish it from the originator.

Specified Bank Note (SBN)
The legal tender character of the bank notes in denominations of ₹ 500 and ₹ 1000 issued by the Reserve Bank of India till November 8, 2016.

Stabilization Function
Involves the influence of the government on the overall level of economic activity.

Stagflation
Stagflation is a situation in which the inflation rate is high and the economic growth rate slows down and unemployment remains steadily high. It raises a dilemma for economic policy since actions designed to lower inflation or reduce unemployment may actually worsen economic growth.

Statement of Profit and Loss
A financial statement which presents the revenues and expenses of an enterprise for an accounting period and shows the excess of revenues over expenses (or vice versa). It is also known as profit- and- loss account.

Statutes
A statute is a formal written enactment of a legislative authority that governs a state, city or country. Typically, statutes command or prohibit something, or declare policy. Statutes are rules made by legislative bodies; they are distinguished from case law or precedent, which is decided by courts,

and regulations issued by government agencies. Statute law is written by a government's legislative body and signed into law by its executive.

Statutory Liquidity Ratio (SLR)
SLR stands for Statutory Liquidity Ratio. This term is used by bankers and indicates the minimum percentage of deposits that the bank has to maintain in form of gold, cash or other approved securities.

Straight Line Method
The method under which the periodic charge for depreciation is computed by dividing the depreciable amount of a depreciable asset by the estimated number of years of its useful life.

Subsidy
A benefit given by the government to groups or individuals usually in the form of a cash payment or tax reduction. The subsidy is usually given to remove some type of burden and is often considered to be in the interest of the public.

Subventions
It refers to a grant of money in aid or support, mostly by the government. The term finds a mention in almost every Budget. In the Indian context, for instance, the government sometimes asks financial institutions to provide loans to farmers at below market rates. The loss is usually made good through subventions.

Sundry Debtor
A person who owes money to the firm because of credit sales of goods is called a debtor. For example, when goods are sold to a person on credit that person pays the price in future. He is called a debtor because he owes the amount to the firm, commonly customers of goods/ services are known as debtors.

Surcharge
An incremental increase in a particular, already existing charge, that is, an amount added to a tax, a fee, a fine or penalty.

Surplus
Credit balance in the profit and loss statement after providing for proposed appropriations, e.g., dividend or reserves.

Surplus Revenue
The amount by which cash, accounts receivable, and other assets exceed liabilities and reserves.

Suspense Account
It is an account used temporarily to carry doubtful receipts and reimbursements or discrepancies pending their analysis and permanent classification. A suspense account is an account in the general ledger in which amounts are temporarily recorded.

T

Tariff
A tax or a duty on imports, which can be levied either on physical units, e.g. per tonne (specific), or on value (ad valorem). Tariffs may be imposed for a variety of reasons including: to raise government revenue, to protect domestic industry from subsidized or low-wage imports, to boost domestic employment, or to ease a deficit on the balance of payments. Apart from the revenue they raise, tariffs achieve little good-they reduce the volume of trade, increase the price of the imported commodity to the consumers, and decrease the return to producers of exportable by causing resources to be diverted into producing more of the imported commodity at home.

Tax Anticipation Notes
Tax anticipation notes are notes issued by states or municipalities to finance current operations before tax revenues are received. When the issuer collects the taxes, the proceeds are then used to retire debt.

Tax Basis
In the context of finance, the original cost of an asset less depreciation that is used to determine gains or losses for tax purposes.

Tax Buoyancy
Tax buoyancy is an indicator to measure efficiency & responsiveness of revenue mobilization in response to growth in the Gross domestic product or National income. A tax is said to be buoyant if the tax revenues increase more than proportionately in response to a rise in national income or output.

Tax Deduction at Source (TDS)
The concept of TDS was introduced with an aim to collect tax from the very source of income. As per this concept, a person (deductor) who is liable to make payment of specified nature to any other person (deductee) shall deduct tax at source and remit the same into the account of the Central Government. The deductee from whom income tax has been deducted at source would be entitled to get credit of the amount so deducted on the basis of Form 26AS or TDS certificate issued by the deductor.

Tax Elasticity
It refers to changes in tax revenue in response to changes in tax rate. For example, how tax revenue changes if the government reduces corporate income tax from 30 per cent to 25 per cent indicates tax elasticity.

Tax Incidence
Tax incidence is the analysis of the effect of a particular tax on the distribution of economic welfare. Tax incidence is said to "fall" upon the group that ultimately bears the burden of, or ultimately has to pay, the tax.

Tax Shifting
Instance when a tax levied on one person is shifted to another.

Technical Appraisal
Technical appraisal is a method of inspection to ensure that a project is potentially designed, engineered and follows the accepted standards.

Temporary Debt
Borrowing by a community in the form of notes and for a term of one year or less.

Tied Grant
A grant made with end-use conditions attached.

Time Value of Money
Time value of money means that the value of money is different in different time periods. The sum of money received in future is less valuable than it is today. In other words the present worth of money received after some time will be less than a money received today. Since a money received today has more value, rational investors would prefer current receipts to future receipts. If they postpone their receipts they will certainly charge some money i.e. interest.

Toll-Operate-Transfer (TOT)
Under this model, public funded projects, operational for two years, would be put up for bidding, wherein the right of collection and appropriation of fee would be assigned for a predetermined concession period (30 years) to concessionaires (developers/ investors) against upfront payment of a lump sum amount.

Total Cost of Ownership (TCO)
The total cost of ownership (TCO) is a management accounting concept that derives an asset's total cost during its useful life. It includes the purchase price, maintenance and operational cost that the owner will incur during the asset's lifespan.

Trade Deficit
A situation in which a country imports more than it exports and so pays out more in foreign currency than it earns.

Transition Economy
An economy which is moving from a centrally planned state to a free market economy.

Treasury Single Account (TSA)
A TSA is a unified structure of government bank accounts that gives a consolidated view of government cash resources. Based on the principle of unity of cash and the unity of treasury, a TSA is a bank account or a set of linked accounts through which the government transacts all its receipts and payments.

Trickle-Down
The economic theory that the poorest members of society can be more easily helped by the effects of increased economic activity rather than by welfare payments from the government.

Turnover Tax
A turnover tax is similar to a sales tax or a VAT, with the difference that it taxes intermediate and possibly capital goods. It is an indirect tax, typically on an ad valorem basis, applicable to a production process or stage.

Two Factor Authentication
Two factor authentication, also known as 2FA, is a process which requires two steps to verify a user. Rather than just asking for a single piece of information – such as a password — two factor authentication goes a step further to enhance the level of security within the system. Example: Password authentication followed by a One Time Password on the user's registered mobile, email.

U

Unanticipated Inflation
When inflation is volatile from year to year, it becomes difficult for individuals and businesses to correctly predict the rate of inflation in the near future. Unanticipated inflation occurs when economic agents (i.e. people, businesses and governments) make errors in their inflation forecasts.

Unified Payment Interface (UPI)
Unified Payments Interface (UPI) is a payment system that allows users to link more than one bank account in a single smartphone app and make fund transfers without having to provide IFSC code or account number.

This is a real-time payment system where funds are credited instantly on a real-time basis.

Union Excise Duty
Duty imposed on goods manufactured in the country.

V

Value-Added Tax
Is a tax levied on a firm as a percentage of its value added, to avoid the multiplying effect of taxes as the product passes through different stages of production. The tax is based on the difference between the value of the output and the value of the inputs used to produce it. The aim is to tax a firm only for the value added by it to the inputs it is using for manufacturing its output.

Variable Cost
That cost which varies directly, or nearly directly, with the volume of activity.

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Vertical Equity

Vertical Equity means that people with higher wealth should be required to pay more tax. The purpose of vertical equity is to redistribute wealth in the society in a more progressive way. It is applied on the basis of wealth or other factors rather than the income of the individual.

Vote on Account

In a democratic set-up, Government is anxious to give Parliament full opportunity to discuss the budgetary provisions and the various proposals for taxation. Since Parliament is not able to vote the entire budget before the commencement of the new financial year, the necessity to keep enough finance at the disposal of Government in order to allow it to run the administration of the country remains. A special provision is, therefore, made for "Vote on Account" by which Government obtains the Vote of Parliament for a sum sufficient to incur expenditure on various items for a part of the year.

W

Warranted Growth Rate

The warranted growth rate is the growth rate at which all saving is absorbed into investment. If, for example, people save 10 percent of their income, and the economy's ratio of capital to output is four, the economy's warranted growth rate is 2.5 percent (ten divided by four). This is the growth rate at which the ratio of capital to output would stay constant at four.

Weighted Average

Weighted average is a calculation that takes into account the varying degrees of importance of the numbers in a data set. In calculating a weighted average, each number in the data set is multiplied by a predetermined weight before the final calculation is made.

A weighted average can be more accurate than a simple average in which all numbers in a data set are assigned an identical weight.

Welfare Economics

The branch of economics that is concerned with defining economic efficiency, analysing it in different systems of resource allocation, and seeking from this analysis to draw certain conclusions regarding the welfare of individuals and society. Welfare economics was pioneered by the Italian engineer and social theorist Vilfredo Pareto, who concluded that the price system operating in perfectly competitive markets would maximize everyone's utility. Theoretical welfare economics has on the whole been concerned to uphold axiom, while applied welfare economics such as cost – benefit analysis has been in the main based on this assumption.

Wholesale Price Index

WPI compares the total costs of the goods being considered in one year with the total costs of goods in the base year. To illustrate, imagine 2010 is the base year. The total prices for that year are equal to 100 on the scale. Prices from another year are compared to that total and expressed as a percentage of change. For example, if the total price of the goods under consideration in 2010 was Rs. 4,300, and the total for 2015 is Rs. 5,000, the WPI for 2015 with a base year of 2010 is 116, indicating an increase of 16%.

Working Capital

The funds available for conducting day-to-day operations of an enterprise. Also represented by the excess of current assets over current liabilities including short-term loans.

Write-off

A write-off is an accounting action that reduces the value of an asset while simultaneously debiting a liabilities account. It is primarily used in its most literal sense by entities seeking to account for unpaid loan obligations, unpaid receivables, or losses on stored inventory. Generally, it can also be referred to broadly as something that helps to lower an annual tax bill.

Y

Yield

This refers to the interest or dividends received from a security and is usually expressed annually as a percentage based on the investment's cost, its current market value or its face value.

Yield to Maturity (YTM)

The average rate of return in outstanding debt issues taking into consideration current price, interest payments and capital gains or losses at maturity of the issue. It can also be defined as internal rate of return on bond or debt.

Z

Zero Based Budget

A forward looking budget building technique instead of the traditional budgeting on the basis of previous year data. In this technique, budgets are built around what is needed for the upcoming period, regardless of whether the budget is higher or lower than the previous one. This technique is generally used for a new project or where previous year data could not be used due to changes in the functional areas of the organization.

Zero Growth

A situation in which there is no increase in economic activity, either because of economic stagnation or because of government policies to restrain growth.

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