



Financial Language Dictionary

Master the terms that matter for your business

Financial clarity starts with understanding the language. This dictionary translates the terms accountants, bankers, and advisors use into practical explanations you can actually use to make better business decisions.

Yasmine Shah

Commercial Finance Broker & Financial Clarity Coach

What's Inside

Revenue & Profit	3
Cash Flow & Working Capital	4
Taxation & Compliance	5
Lending & Debt	6
Business Structure	7
Financial Analysis	8

How to Use This Dictionary

This dictionary is designed for business owners who want to understand their numbers without needing an accounting degree. Each term includes:

Plain Language Definition: What the term actually means, stripped of jargon

Why It Matters: How this concept affects your business

Practical Example: Real-world context to make it stick

The goal isn't to make you an accountant. It's to give you the vocabulary you need to have confident conversations with your accountant, banker, and advisors. When you understand the language, you understand your business better.

Keep this dictionary handy. Reference it when you're reviewing financial reports, discussing funding options, or making strategic decisions. Financial clarity is a journey, not a destination.

Revenue

The total amount of money your business brings in from selling products or services, before any expenses are deducted.

Example: If you invoice clients \$50,000 this month, your revenue is \$50,000, regardless of whether you've been paid yet or what your costs are.

Profit (Net Income)

What's left after you subtract all your expenses from your revenue. This is the money you actually get to keep.

Example: Revenue of \$50,000 minus expenses of \$35,000 equals profit of \$15,000. This is what you can reinvest, pay yourself, or save.

Profit Margin

The percentage of revenue that becomes profit. It shows how efficiently your business converts sales into actual earnings.

Example: If you make \$15,000 profit on \$50,000 revenue, your profit margin is 30%. This tells you that for every dollar of sales, you keep 30 cents.

 **Gross Profit**

Revenue minus the direct costs of producing your product or service (cost of goods sold). It doesn't include operating expenses like rent or salaries.

Example: If you sell products for \$50,000 and the materials cost \$20,000, your gross profit is \$30,000. Your operating expenses come out of this.

Cash Flow

The movement of money in and out of your business. Positive cash flow means money is coming in faster than it's going out.

Example: You might be profitable on paper but have negative cash flow if customers pay you in 90 days while you pay suppliers in 30 days.

Cash Conversion Cycle

The number of days between when you pay for inventory/expenses and when you receive payment from customers. This is why profitable companies go bankrupt.

Example: You pay suppliers on Day 1, complete work on Day 15, invoice on Day 20, and get paid on Day 50. Your cash is tied up for 50 days.

Working Capital

The money available to run your day-to-day operations. It's calculated as current assets minus current liabilities.

Example: If you have \$100,000 in the bank and \$30,000 in bills due this month, you have \$70,000 in working capital to operate with.



Accounts Receivable

Money that customers owe you for products or services you've already delivered. It's an asset on your balance sheet.

Example: You invoice a client for \$10,000 on Day 1 but don't get paid until Day 45. That \$10,000 is accounts receivable until payment arrives.

GST (Goods & Services Tax)

A 10% tax on most goods and services in Australia. If you're registered, you collect it from customers and remit it to the ATO.

Example: You invoice \$10,000 plus \$1,000 GST. You collect \$11,000 from the client but only keep \$10,000; the \$1,000 GST goes to the ATO.

PAYG (Pay As You Go)

Tax withheld from employee wages and contractor payments. It's held by the employer and remitted to the ATO on behalf of the employee.

Example: You pay an employee \$5,000 but withhold \$1,000 in PAYG tax. You send the \$1,000 to the ATO; the employee receives \$4,000.

Superannuation

Retirement savings that employers contribute on behalf of employees. Currently 11.5% of wages (increasing over time).

Example: An employee earning \$60,000 receives \$6,900 in superannuation contributions that go into their retirement account.



Tax Deduction

An expense you can subtract from your income to reduce your taxable profit. Only legitimate business expenses qualify.

Example: Office rent, software subscriptions, and professional development are tax deductible. Personal expenses are not.

Debt Service

The total amount of principal and interest you need to pay on a loan. Lenders look at this to determine if you can afford the debt.

Example: A \$100,000 loan at 6% interest with monthly payments of \$1,500 means you're servicing \$18,000 per year in debt payments.

Debt Service Coverage Ratio

Your annual profit divided by your annual debt service. Lenders want to see this above 1.25 to ensure you can comfortably pay the loan.

Example: If you make \$50,000 profit and have \$30,000 in annual debt payments, your ratio is 1.67. This is healthy.

Interest Rate

The percentage of the loan amount you pay annually as the cost of borrowing. Higher risk = higher interest rate.

Example: A \$100,000 loan at 6% interest costs you \$6,000 per year in interest charges alone.



Security / Collateral

An asset you pledge to the lender as insurance. If you can't repay the loan, the lender can take the asset.

Example: You borrow \$200,000 against your business equipment. If you default, the lender can seize the equipment to recover their money.

Sole Trader

A business owned and operated by one person. You and your business are legally the same entity, so personal liability is unlimited.

Example: You run a consulting business as a sole trader. If a client sues, they can come after your personal assets.

Partnership

A business owned by two or more people who share profits and liability. Each partner can be held responsible for the actions of other partners.

Example: Two people start a business together as partners. If one partner makes a bad decision, both are liable.

Pty Ltd (Private Company)

A separate legal entity that limits your personal liability. The company is responsible for its debts, not you personally.

Example: You own a Pty Ltd company. If the company owes money or gets sued, your personal assets are protected.

 **Trust**

A legal structure where a trustee holds assets on behalf of beneficiaries. Often used for tax planning and asset protection.

Example: A family trust holds business assets and distributes profits to family members, potentially reducing overall tax.



Break-Even Point

The revenue level where your income equals your expenses. Below this, you're losing money; above it, you're making profit.

Example: Your break-even is \$100,000 in annual revenue. If you make \$80,000, you're losing money. At \$120,000, you're profitable.



Fixed Costs

Expenses that stay the same regardless of how much you sell. Rent, salaries, and insurance are typically fixed.

Example: Your office rent is \$5,000 per month whether you make \$10,000 or \$100,000 in sales.



Variable Costs

Expenses that change based on your sales volume. Materials, packaging, and commissions are typically variable.

Example: If you sell products, the cost of materials increases as you sell more. Sell more, spend more on materials.



Leverage

Using borrowed money to amplify your returns. High leverage means you're using a lot of debt relative to your equity.

Example: You invest \$50,000 and borrow \$200,000 to buy a \$250,000 asset. You're leveraged 5:1. If the asset grows 10%, your investment grows 50%.

Ready for Financial Clarity?

Understanding these terms is just the beginning. Real financial clarity comes from knowing what your numbers mean for your specific business and how to use them to make better decisions.

Whether you're looking to improve your profit margins, manage cash flow better, or explore funding options, I'm here to help.

Book a free 15-minute clarity call to discuss your three key numbers and where to focus next.

 1300 090 581

Book Your Free Call