Unit 4: Managing II

FINANCE

1. **Bank Overdraft** is when the holder of a current account is granted permission by the bank to withdraw more than the amount of money in their account, up to a specified limit (overdraft limit or line of credit, which is negotiated with the bank manager)

2. **Creditors** are people or firms to whom a business **owes** money

3. **Accrued Expenses (unpaid bills)** refers to expenses that a business has incurred but not yet paid for e.g. telephone bill, ESB bill, PAYE or VAT receipts.

4. **Factoring** involves a firm selling its trade debtors to a finance company or bank who specialises in collecting debts.

5. **Factoring with recourse** means that if the debtor can't pay, the finance company has recourse (come back) to the firm who sold the debt.

6. **Factoring without recourse** means that if the debtor can't pay, the finance company accepts responsibility for any bad debts that occur.

7. **Credit cards** are plastic cards that can be used by a business or householder to pay for goods and services without the need for cash.

8. **Hire Purchase (Buy now pay later)** is a form of credit that allows customers to have immediate use of goods while paying for them over an agreed period of time in instalments.

9. **Leasing** involves renting an asset

10. **Term Loan or Personal Loan** are loans given to households for up to five years are called personal loans and medium term loans for businesses.

11. **Long Term loans/Mortgages and Debenture loans** are borrowed from financial institutions and must be repaid with interest within five to twenty years

12. **A mortgage** is a loan to enable a person to purchase property. The lender keeps the title deeds and if the borrower defaults on payment, the lender can sell the property to recoup the balance of the loan.

13. **A Debenture** is a long term loan that is repaid in one lump sum on an agreed date in the future i.e. maturity date. A Debenture has a fixed rate of interest and interest is tax deductible.

14. **Retained Earnings** are profits ploughed back into a business to create growth.

15. **Equity Capital** is provided by shareholders who purchase ordinary shares in the hope of a future dividend i.e. buying shares

16. **Venture Capital** is finance provided for risky new ventures or for business expansion.

17. A **Cash Flow forecast** is a plan of the cash to be received and cash to be paid for a period of time (normally 1 year) into the future.

INSURANCE

18. **Insurance** is a contract whereby a person (the insured) pays a fee (premium) to an insurance company (insurer), which in return will compensate the person for any financial loss suffered

19. **Insurable Interest -** The insured must have a financial interest in what is insured i.e. they must benefit from its existence and suffer from its loss e.g. you can't insure your neighbour's property.

20. **Utmost Good Faith** - All material facts (all information that could affect premium calculation) must be revealed when filling in an application form. **A material fact is anything which would affect the level of risk the insurer is being asked to cover or the premium charged**

21. **Indemnity -** A person cannot make a profit from insurance, with the exception of personal accident and life assurance, as it's impossible to calculate the value of a lost life or limb.

22. **Subrogation (Right to sue) it's related to indemnity**

Once compensation has been paid, the insurance company has the legal right to sue any other party who was responsible for the loss or damage or can take over damaged stock. e.g. having paid compensation on stock damaged in a fire, the insurance company can sue the electrician whose negligence caused the damage.

23. **Contribution** **(Multiple insurers) it's related to indemnity**
When the same item is insured with more than one insurer, they will share the compensation in proportion to the amount of risk covered i.e. compensation is shared between the insurance companies

24. **Average Clause -** is when the insured person has **under-insured** the item (exposure unit) and receives compensation in proportion to the amount of insurance paid. The maximum compensation payable is the insured amount but if there is a partial loss, the insured receives a fraction of the loss

i.e. $\dfrac{\text{Insured amount}}{\text{Market Value}}$ x loss suffered

25. **Risk** is the possibility of suffering some loss or damage

26. **Risk management** means eliminating and reducing risks so as to reduce the amount of insurance required and the cost of insurance e.g. install smoke alarms to reduce the risk of fire.

27. **Actuaries** are specialist mathematicians who calculate the set and set the premium.

28. **An assessor** inspects the damage and works out the compensation.

TAXATION

29. **Tax** is a compulsory payment made by businesses and consumers to the government to finance government expenditure

30. **Form 12 -** This is a form that must be filled in by all first time employees and is used by the Revenue Commissioners to determine the rate of tax that will apply and the tax free allowances that you are entitled to.

31. **P60 -** This form is given to the employee at the end of each tax year. It shows the amount of income, the income tax and the PRSI paid by the employee up to the end of that tax year. (April 5)

32. **P45** - The P45 is also called a cessation certificate. It is given by an employer to an employee when they leave a job. The form shows how much tax and

PRSI the employee has paid up to the date of leaving. This form should be given to the new employer to determine the correct TFA. or it is also used to claim social welfare payments.

33. **P21 -** A P21 is an Income Balancing statement. It compares the taxes that have actually been paid during the tax year with the amount that should have been paid. If tax has been overpaid the taxpayer will receive a refund from the revenue commissioners. If underpaid the amount will be deducted from the employees income in the next tax year.

34. **P35** is prepared by the employer each year and given to the Revenue Commissioners. This proves that the employer has made the correct deductions for tax and PRSI for each employee.

35. **Corporation Tax** is the tax payable on a company's profits.

36. **Value Added Tax (VAT)** is an indirect tax charged on the sale of most goods and services

37. **Customs Duties** are taxes on goods imported by firms. These taxes don't apply to imports from countries in the EU.

38. **Deposit Interest Retention Tax (DIRT)** is automatically deducted from interest earned in bank and building society accounts and passed to the Revenue Commissioners

39. **Motor Tax** is a tax on all roadworthy vehicles, paid to local authorities. It can be paid quarterly (4 times per year) or annually

40. **Capital Gains Tax** is paid on profits from the sale/disposal of an asset (e.g. property or shares)

41. **Capital Acquisitions Tax** is paid by the receiver of a gift (if still alive) or inheritance (if dead)

HUMAN RESOURCE MANAGEMENT

42. **Human resource management** is the strategic management of human resources (people) in an organisation.

43. **Manpower Planning** involves identifying the type and number of employees needed in a company and planning to meet those needs

44. **Recruitment** is the process of attracting a group of suitable applicants for a job/position

45. **Selection** is the process of choosing the most suitable applicant(s)

46. A **job description** describes the work involved and responsibilities of the job It includes (job title, salary, place of work, duties, supervisors title, promotion prospects etc.)

47. A **person specification** describes/specifies the qualities of the ideal person to fill the job. It includes (characteristics, qualifications, skills, experience)

48. **Internal Recruitment** is filling the job from the existing workforce e.g. transfers, promotions and demotions.

49. **External Recruitment** is filling the job from outside the existing workforce e.g. advertisements, employment agencies.

50. **Training** equips workers with the skills and knowledge necessary to perform their jobs

51. **Development** involves the growth of the whole person rather than teaching them the skills of the job.

52. A **trade union** is a body representing employees. Their role is to protect and improve employee's pay, working conditions etc.
53. A **shop steward** is an elected representative of the trade union in a workplace. He/She acts as a communication link between management and workers and the union and its members.

54. **Performance Appraisal** involves regular meetings between a manager and an employee to review and assess past performance, set future performance targets. It can be used help in promotion and pay.

55. **Reward** is the payment for work done.

56. **Profit Sharing** is a financial reward for employees where they are paid a percentage of the profits if they are over a certain amount.

57. **Share Options** is a financial reward for employees where they are given the option of owning shares in the company at a preferential rate.

58. **Share Ownership** is a financial reward for employees where free shares are given to them, often instead of a bonus.

59. **Benefits in kind** is a non- financial reward for employees where they receive “perks” e.g. company car, holidays, medical insurance, subsidised canteen

60. **Teamwork** is a group of people working together towards achieving a common objective.

CHANGING ROLE OF MANAGEMENT

61. **Empowerment** means giving real decision-making power and increased responsibility to those workers where it will be most effective i.e. workers that are close to the customer

62. **Job Enlargement** means increasing the variety of tasks (responsibilities) an employee does, to make their job more challenging and interesting.

63. **Job rotation** is moving employees from one task to another on a temporary basis so that they aren’t confined to one repetitive task. It builds up skills and helps the firm adapt to change. It also motivates the employee by reducing boredom

64. **Job Enrichment** means giving employees not only more tasks (responsibilities) but also freedom to make decisions in carrying out their existing job. Workers are praised, given responsibility and allowed to use their initiative.

65. **Total Quality management (TQM)** is a style of management that tries to create a **culture of quality** throughout the organisation i.e. constant focus on **quality** in **all** aspects of a business to ensure **customer’s needs** are met.