

## Glossary of Key Terms

### A

**Accountant** — a financial expert who puts together financial statements

**Amortisation** - the setting aside of income for the repayment of debt -

**Arbitrage** — the working of a market to eliminate excessive profits

**Auditor** — an independent accountant who checks financial statements

**Authorised shares** — the number of shares a company has registered as available to be issued

### B

**Bank** — a financial institution that takes in money from depositors and lends it out to borrowers

**Bear market** — a stock market where prices are falling

**Black economic empowerment** — the process of promoting black economic interests

**Blue chip stock** — shares of successful large companies which are easily traded

**Bond** — long-term debt issued by governments or companies

**Budget** — a plan of income and expenditure for a given period

**Bull market** — a stock market where prices are rising

### D

**Dividend** — the cash payout of profits to shareholders

**Dividend yield** — the dividend per share divided by the share price

### E

**Earnings per share** — the profits available to shareholders divided by the number of shares

**Earnings before interest, tax, depreciation and amortisation (EBITDA)** — the earnings of a company before certain deductions

**Efficient market hypothesis** — the theory that no individual investor can consistently make better returns than the market average

**Entrepreneur** — someone who exploits a market opportunity to make money

**Equity finance** — financing business by selling shares

**Exchange rate** — the price of one currency against that of another

### F

**Foreign Direct Investment** — investment which is under the control and management of a foreign company

## G

**Gearing** — the amount of debt a company has in relation to its share capital

**Gross Domestic Product (GDP)** — *the value of all final goods and services produced within the borders of a country in a year*

**Gross National Product (GNP)** — *the value of all final goods and services produced by residents of a country in a year*

**Growth stock** — the share of a company that is expected to rapidly increase its earnings

## H

**Hoarding** — saving money in an economically unproductive way

## I

**Inflation** — the general rise of prices in an economy

**Initial Public Offering (IPO)** - the US term for listing on a stock exchange

**Interest rate** — the amount charged for borrowing or paid for saving

## L

**Listing** — the placing of shares on a stock exchange so that they can be traded

**Liquidity** -~ the amount of trade on a stock exchange or in a particular share

## M

**Market** — a group of buyers and sellers

**Maturity** — the repayment date of a bond or loan **Micro lender** — someone who lends small amounts of money for short periods of time

**Monopoly** — when there is only one supplier in a market

**Net asset value** — the assets of a company minus its liabilities

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## O

**Opportunity cost** — what has to be given up to get something

## P

**Pie ratio** — share price divided by earnings per share

**Portfolio** — a selection of shares and other securities held by an investor to reduce risk

**Prospectus** — the document produced by a company that plans to list, explaining to investors why they should invest in it

**Primary market** — when shares or bonds are first sold to investors

**Principal** — the original amount of money borrowed

**Purchasing power** — the amount of goods and services that money can buy

R

**Recovery stock** — the share of a company that has suffered problems in the past

**Repo rate** — the interest rate at which the South African Reserve Bank lends to commercial banks

**Return on Capital Employed** — a company's profit expressed as a percentage of its capital

**Ruling price** — the price of the latest trade on the NSX, or the latest offer to buy if this is higher, or the latest offer to sell if this is lower

S

**Scrip** — the physical share certificate

**Secondary market** — the exchange of securities between investors

**Security** — a tradable asset including shares and bonds

**Settlement** — the arrangements needed to pay and receive money for trading in shares

**Share** — the right to own part of a company

**Shareholder** — the owner of a share

**Speculator** — a market participant who buys and sells in order to make short-term profits

**Spread** — the difference between lending and deposit rates

**Stockbroker** — someone who buys and sells shares on behalf of clients

**Stock exchange** — a forum where shares can be listed and traded

T

**Tracker fund** — an investment fund that reflects the performance of a stock market index

**Treasury-bill** — short-term debt issued by government

**Turnover ratio** — a measure of stock exchange liquidity

V

**Value added** — the difference between a company's sales and purchased inputs