

GLOSSARY OF MICRO-FINANCE TERMS

Term	Definition
Account	<ul style="list-style-type: none"> ➤ Formal record that represents, in words, money or other unit of measurement, certain resources, claims to such resources, transactions or other events that result in changes to those resources and claims. ➤ An individual form or record used to record and summarize information related to each asset, each liability, and each aspect of owner's equity. ➤ The form used to record additions and deductions for each individual asset, liability, capital, revenue, and expense.
Account form of balance sheet	<ul style="list-style-type: none"> ➤ A balance sheet with assets on the left-hand side and liabilities and capital on the right-hand side.
Account Payable	<ul style="list-style-type: none"> ➤ Amount owed to a CREDITOR for delivered goods or completed services. ➤ A liability created by a purchase made on credit or for a sum of money borrowed.
Account Receivable	<ul style="list-style-type: none"> ➤ Claim against a DEBTOR for an uncollected amount, generally from a completed transaction of sales or services rendered or for a sum of money lent.
Accountant	<ul style="list-style-type: none"> ➤ Person skilled in the recording and reporting of financial transactions.
Accounting	<ul style="list-style-type: none"> ➤ Recording and reporting of financial transactions, including the origination of the transaction, its recognition, processing, and summarization in the FINANCIAL STATEMENTS. ➤ The process of recording, summarizing, analyzing, and interpreting financial (money-related) activities to permit individuals and organizations to make informed judgments and decisions. ➤ The process of identifying, measuring, and communicating economic information to permit informed judgments and decisions by users of the information.
Accounting Change	<ul style="list-style-type: none"> ➤ Change in (1) an accounting principle; (2) an accounting estimate; or (3) the reporting entity that necessitates DISCLOSURE and explanation in published financial reports.
Accounting Cycle	<ul style="list-style-type: none"> ➤ The steps involved in the recording and summarizing processes of accounting. ➤ The principal accounting procedures employed to process transactions during a fiscal period.
Accounting equation	<ul style="list-style-type: none"> ➤ The equation that expresses the relationship between the accounting elements in a simple mathematical form: $Assets = Liabilities + Net\ Worth$
Accounting period	<ul style="list-style-type: none"> ➤ The period of time for which operating and financial statements are regularly prepared. ➤ A period that is typically one year; however, it can be any length of time for which accounting records are maintained, often for a month.
Accounting Policies	<ul style="list-style-type: none"> ➤ The principles, bases, conventions, rules and procedures adopted by management in preparing and presenting financial statements.
Accounts Payable	<ul style="list-style-type: none"> ➤ The liability that results from purchasing goods or services on credit. ➤ Amounts entities owe suppliers for goods and services. Listed in the current liabilities section on the statement of financial position.
Accounts payable ledger	<ul style="list-style-type: none"> ➤ A subsidiary ledger that lists the individual accounts of creditors. Also called the creditors' ledger.
Accounts receivable	<ul style="list-style-type: none"> ➤ The asset arising from selling goods or services on credit to customers. Listed in the current assets section on the statement of financial position. An asset account that shows the total currency (dollar or rupee or pound) amount due from credit customers.
Accounts Receivable	<ul style="list-style-type: none"> ➤ Money owed to an MFI for services rendered or loans made.
Accounts Receivable ledger	<ul style="list-style-type: none"> ➤ A subsidiary ledger containing only accounts of borrowing clients; also called the clients (debtors) ledger.
Accrual	<ul style="list-style-type: none"> ➤ An expense or revenue that gradually increases with the passage of time.

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Accrual Basis	<ul style="list-style-type: none"> ➤ Method of ACCOUNTING that recognizes REVENUE when earned, rather than when collected. Expenses are recognized when incurred rather than when paid. ➤ The basis of accounting that requires that revenue is recorded when earned, no matter when cash is received, and that expenses are recorded when incurred, no matter when cash is paid.
Accrued Expenses	<ul style="list-style-type: none"> ➤ Expenses that build up or accumulate during the current period but will not be paid until the next period. Also called accrued liabilities. ➤ Unbilled amounts earned by others during a given period which are not yet due
Accrued Interest	<ul style="list-style-type: none"> ➤ The amount of interest owing but not paid.
Accrued Revenue	<ul style="list-style-type: none"> ➤ Revenue that has been earned in the current accounting period but will not be received until the next period. Also called accrued assets. ➤ Accrued interest is an example from the financial services and micro-finance sector
Accrued salaries	<ul style="list-style-type: none"> ➤ Salary that is unpaid at the end of an accounting period. Also called accrued wages.
Accumulated Depreciation	<ul style="list-style-type: none"> ➤ Total DEPRECIATION pertaining to an ASSET or group of assets from the time the assets were placed in services until the date of the FINANCIAL STATEMENT. ➤ The total depreciation from the start of the life of a physical asset to any point in time. ➤ This total is the CONTRA ACCOUNT to the related asset account.
Acid-test ratio	<ul style="list-style-type: none"> ➤ The ratio of the sum of cash, receivables, and marketable securities to current liabilities. ➤ The ratio of quick assets to current liabilities. A yardstick commonly used is a 1-to-1 ratio. Also called quick ratio.
Active Clients	<ul style="list-style-type: none"> ➤ The number of clients with loans outstanding on any given date. An institution's official statistics on active clients are usually recorded as the number of clients with loans outstanding on the date its financial statements are filed.
Active Loan Portfolio	<ul style="list-style-type: none"> ➤ The total amount loaned out less the total amount of repaid loans; i.e., all money that is "on the street" or owed to the institution in the form of loans on the date the report is filed.
Addition	<ul style="list-style-type: none"> ➤ A capital expenditure that literally adds on to an existing physical asset. The cost of an addition is debited to the physical asset account.
Adequate disclosure principle	<ul style="list-style-type: none"> ➤ States that financial statements or the explanatory notes and schedules that go with the statements must disclose all relevant data about the financial position of an entity
Adjusting entries	<ul style="list-style-type: none"> ➤ Entries made at end of an accounting period to bring balances of certain accounts up to date.
Aging Schedule	<ul style="list-style-type: none"> ➤ A schedule in which accounts receivable (loans to clients) are grouped into age categories and an estimated bad debts (provision) rate is applied to each age category.
Aging the receivables	<ul style="list-style-type: none"> ➤ A way of estimating bad debts expense when using the balance sheet approach. ➤ The process of analyzing the accounts receivable and classifying them according to various age groupings with the due date being the base point for determining age.
Allowance Method	<ul style="list-style-type: none"> ➤ A method of accounting for bad debts in which the amount estimated to be uncollectible is established at the end of an accounting period in an adjusting entry. Uncollectible accounts are then written off by debiting Allowance for Doubtful Accounts. The method of accounting for uncollectible receivables, by which advance provision for the uncollectibles is made
Amortization	<ul style="list-style-type: none"> ➤ Gradual and periodic reduction of any amount, such as the periodic write down of a BOND premium, the cost of an intangible ASSET or periodic payment Of MORTGAGES or other DEBT.

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Amortization	<ul style="list-style-type: none"> ☞ The periodic write-off of the cost of an intangible asset. ☞ The periodic expense attributed to the decline in usefulness of an intangible asset or the allocation of bond premium or discount over the life of a bond issue.
Amortization	☞ The reduction of debt by regular payments of interest and principal sufficient to pay off a loan by maturity.
Amortization Schedule	☞ A schedule that shows precisely how a loan will be repaid. The schedule gives the required payment on each specific date and shows how much of it constitutes interest and how much constitutes repayments of principal.
Amortize	☞ To liquidate on an installment basis; an amortized loan is one on which the principal amount of the loan is repaid in installments during the life of the loan.
Analytical Procedures	☞ Substantive tests of financial information, which examine relationships among data as a means of obtaining evidence. Such procedures include: (1) comparison of financial information with information of comparable prior periods; (2) comparison of financial information with anticipated results (e.g., forecasts); (3) study of relationships between elements of financial information that should conform to predictable patterns based on the entity's experience; (4) comparison of financial information with industry norms.
Annual percentage rate (APR)	☞ APR includes interest, fees, commissions and the calculation method on the principal. It represents the income the MFI should earn on the loan. It is calculated by using the internal rate of return function on a financial calculator or spreadsheet. It represents that portion of the effective interest rate to the borrower, which does not include savings.
Annual Report	<ul style="list-style-type: none"> ☞ Report to the stockholders of an MFI which includes the MFI's annual, audited BALANCE SHEET and related statements of earnings, stockholders' or owners' equity and cash flows, as well as other financial and business information. ☞ A report an MFI publishes for its shareholders at the end of each fiscal year. The report includes required elements such as an auditors' report and the MFI's statement of earnings, statement of financial position, and statement of cash flows. The report also includes elements such as letters and articles by the MFI's executives, information on its financial condition, and significant events.
Annuity	☞ Series of payments, usually payable at specified time intervals.
Apportionment	☞ The process of dividing operating expenses among departments.
Assessment	☞ Also called evaluation. Assessments include instrumental appraisals, rating exercises, and other activities that may determine how well an institution performs financially, operationally, and managerially.
Asset	<ul style="list-style-type: none"> ☞ Any item of economic value, either physical in nature (such as land or buildings) or a right to ownership, as expressed in cost or some other value, owned by an individual or entity. ☞ Anything of value. Any interest in real or personal property, which can be appropriated for the payment of debt. ☞ Anything MFI's own. These things might be physical assets such as buildings, vehicles, equipment, and cash. Listed as a category on the statement of financial position.
Asset-Based Financing	☞ Loans granted usually by a micro-finance institution where the asset being financed constitutes the sole security given to the lender.
Audit	☞ A review of (1) the operating, administrative, and financial activities of an agency for conformance with all legal and administrative requirements and conformance with the principles of economy and efficiency; or (2) selected claims, cost proposals, grants, loans, or similar agreements entered into by an agency for conformance with the principles of economy and efficiency.

Audit Engagement	<ul style="list-style-type: none"> ➤ Agreement between an audit firm and its client to perform an AUDIT.
Audit Sampling	<ul style="list-style-type: none"> ➤ Application of an AUDIT procedure to less than 100% of the items within an account BALANCE or class of transactions for the purpose of evaluating some characteristic of the balance or class.
Auditing Standards	<ul style="list-style-type: none"> ➤ Guidelines to which an AUDITOR adheres. Auditing standards encompass the auditor's professional qualities, as well as his or her judgment in performing an AUDIT and in preparing the AUDITORS' REPORT.
Auditor	<ul style="list-style-type: none"> ➤ Person who AUDITS financial accounts and records kept by others. ➤ A person or firm an entity hires as an independent third party to review its financial information. The auditor's main purpose is to make sure the statement of earnings, statement of financial position, and statement of cash flows fairly present the MFI's financial condition, and that they comply with auditing standards set forth by the various regulatory bodies
Auditors' Opinion	<ul style="list-style-type: none"> ➤ A summary of the findings of a firm of certified public accountants (Chartered accountants) that audits, or examines, an MFI's financial statements. This report is included in the MFI's annual report. Also called auditors' report and report of independent accountants.
Automated data processing (ADP)	<ul style="list-style-type: none"> ➤ The general term applied to the processing of data by mechanical or electronic equipment that operates with a minimum of manual intervention.
Auxiliary Record	<ul style="list-style-type: none"> ➤ A business record that is not essential but is helpful in maintaining records that are essential; an example is the petty cash payments record.
Average Balance Per Saver	<ul style="list-style-type: none"> ➤ $\text{Total Deposits} / \text{Total Number of Savers}$
Average collection period for accounts receivable	<ul style="list-style-type: none"> ➤ A rough measure of the length of time accounts (loan) receivable have been outstanding. Calculated by dividing 365 days by the accounts receivable turnover.
Average outstanding Loan size	<ul style="list-style-type: none"> ➤ $\text{Gross Loan Portfolio} / \text{Number of Active Borrowers}$
Bad Debt	<ul style="list-style-type: none"> ➤ A debt that is not collectible and is therefore worthless to the creditor. ➤ All or portion of an ACCOUNT, loan, or note receivable considered to be uncollectible. ➤ An account receivable that, for one reason or another, cannot be collected.
Balance	<ul style="list-style-type: none"> ➤ Sum of DEBIT entries minus the SUM of CREDIT entries in an ACCOUNT. If positive, the difference is called a DEBIT BALANCE; if negative, a CREDIT BALANCE. ➤ The balance of an account is determined by footing (adding) the debit side, footing the credit side, and calculating the difference between the two sides.
Balance form of account	<ul style="list-style-type: none"> ➤ A ledger account form with four amount columns that many MFIs prefer to use because the balance is always known and it is easy to see whether the balance is a debit or a credit. Also called the four-column account form. The amount of difference between the debits and the credits that have been entered into an account.
Balance Sheet	<ul style="list-style-type: none"> ➤ Financial statement presenting measures of the assets, liabilities and owner's equity or net worth of business firm or nonprofit organization as of a specific moment in time. ➤ Basic FINANCIAL STATEMENT, usually accompanied by appropriate DISCLOSURES that describe the basis of ACCOUNTING used in its preparation and presentation of a specified date the entity's ASSETS, LIABILITIES and the EQUITY of its owners. Also known as a STATEMENT OF FINANCIAL CONDITION. ➤ A listing of a firm's assets, liabilities, and owner's equity at a specific point in time. Other terms used to describe the balance sheet are statement of financial position and position statement.

Balance Sheet	<ul style="list-style-type: none"> ➤ A financial report showing the status of a MFI's assets, liabilities, and owners' equity on a given date.
Balance Sheet approach	<ul style="list-style-type: none"> ➤ A method of estimating the bad debts expense under the allowance method in which the expense is based on aging the accounts receivable
Bank	<ul style="list-style-type: none"> ➤ An organization, usually a corporation, chartered by a state or government, which does most or all of the following: receives demand deposits, honors instruments drawn on them and pays interest on them; discounts notes, makes loans and investment in securities; collects checks, drafts, and notes; certifies depositor's checks; and, issues drafts and cashier's checks.
Bank Checking account	<ul style="list-style-type: none"> ➤ An amount of cash on deposit with a bank that the bank must pay at the written order of the depositor
Bank reconciliation	<ul style="list-style-type: none"> ➤ Making the bank statement balance agree with the checkbook balance. The method of analysis that details the items that are responsible for the difference between the cash balance reported in the bank statement and the balance of the cash account in the ledger
Bank statement	<ul style="list-style-type: none"> ➤ A monthly report showing the bank's record of the checking account.
Bankruptcy	<ul style="list-style-type: none"> ➤ A condition in which a firm does not have sufficient cash to pay its creditors. ➤ Legal process, governed by federal statute, whereby the DEBTS of an insolvent person are liquidated after being satisfied to the greatest extent possible by the DEBTOR'S ASSETS. During bankruptcy, the debtor's assets are held and managed by a court appointed TRUSTEE.
Benchmarking	<ul style="list-style-type: none"> ➤ Peer group benchmarking puts performance measurements in context by comparing an institution (e.g., an MFI) with similar institutions based on a common factor, such as region, size or methodology. A benchmark can also refer to the standard against which all similar institutions are compared.
Board of Directors	<ul style="list-style-type: none"> ➤ Individuals responsible for overseeing the affairs of an entity, including the election of its officers. People elected by a MFI's shareholders to oversee the business and appoint officers.
Book of Original entry	<ul style="list-style-type: none"> ➤ The journal is referred to as the book of original entry because it is the first place in which transactions are formally recorded.
Book Value	<ul style="list-style-type: none"> ➤ Amount, net or CONTRA ACCOUNT balances, that an ASSET or LIABILITY shows on the BALANCE SHEET of a company. Also known as CARRYING VALUE. ➤ The difference between the cost of an asset and its accumulated depreciation.
Book value of an asset	<ul style="list-style-type: none"> ➤ The cost of an asset less the balance of any related contra asset account. The value of an asset, a liability, or a stockholders' equity account. For a fixed asset, it is typically the cost of the asset minus accumulated depreciation. As entities continue to use fixed assets to generate revenue, the book values lessen, and sometimes ultimately reach zero.
Bookkeeping.	<ul style="list-style-type: none"> ➤ The recording of business data in a prescribed manner.
Break – Even	<ul style="list-style-type: none"> ➤ This is a term used to describe a point at which revenues equal costs.
Break-Even Analysis	<ul style="list-style-type: none"> ➤ An analytical technique for studying the relationships between fixed cost, variable cost, and profits. A breakeven chart graphically depicts the nature of breakeven analysis. The breakeven point represents the volume of business at which total costs equal total revenues (that is, profits equal zero).
Break-even Point	<ul style="list-style-type: none"> ➤ The point in operations where total (MFI) income exactly equals total fixed and variable costs; the point of zero profit or loss.
Bridge Loan	<ul style="list-style-type: none"> ➤ Short-term loan to provide temporary financing until more permanent financing is available.
Budget	<ul style="list-style-type: none"> ➤ Financial plan that serves as an estimate of future cost, REVENUES or both. ➤ A formal statement of management's financial plans for the future.

Budgeted Balance sheet	↻ A balance sheet that estimates each element of financial condition at a specified future time.
Budgeted Income statement	↻ An income statement that estimates net income for the next fiscal period, based on all income statement budgets.
Business	↻ An organization that operates with the objective of earning a profit.
Business Entity concept	↻ The principle that states that, for accounting purposes, a business is a distinct economic entity or unit that is separate from its owner and from any other business.
Business Plan	↻ A document that describes an MFI's current status and plans for several years into the future. It generally projects future opportunities for the organization and maps the financial, operations, marketing and organizational strategies that will enable the organization to achieve its goals.
Business transaction.	↻ The occurrence of an event or of a condition that must be recorded in the accounting records.
Bylaws	↻ Collection of formal, written rules governing the conduct of a MFI'S affairs (such as what officers it will have, what their responsibilities are, and how they are to be chosen). The owners of a business entity approve bylaws. A set of policies that act as an entity's constitution.
Capital	↻ Broadly, all the money and other property of a corporation or other enterprise used in transacting its business.
Capital Adequacy	↻ A quantitative and qualitative measure of an MFI's level of equity versus the risk it incurs. This measurement shows a program's ability to absorb loan loss.
Capital expenditure.	↻ A cost that adds to the utility of an asset for more than one accounting period. Examples include additions, betterments, and extraordinary repairs. Capital expenditures increase either the value or the life of the asset and are debited to either the asset account or its accumulated depreciation account, depending on the type of expenditure.
Capital expenditures budget	↻ A budget used for long-term planning of when physical assets will need to be replaced.
Capital Investments	↻ Money used to purchase fixed assets for a business, such as land, buildings, or equipments. Also, money invested in a business on the understanding that it will be used to purchase permanent assets rather than to cover day-to-day operating expenses.
Capital.	↻ The rights (equity) of the owners in a business enterprise (including MFI)
Capitalization	↻ Long-term debt, preferred stock and net worth. The loan capital of a community development loan fund; includes that which has been borrowed from and is repayable to third parties as well as that which is earned or owned by the loan fund (i.e. "permanent capital").
Cash	↻ In its most basic meaning, cash is currency (paper money) and coin. The definition in a business context also includes checks, money orders, traveler's checks, cashier's checks, bank drafts, and receipts from credit card sales.
Cash Basis	↻ Method of bookkeeping by which REVENUES and EXPENDITURES are recorded when they are received and paid. ↻ A basis of accounting where revenue is recorded only when cash is received, and expenses are recorded only when cash is paid.
Cash budget	↻ A budget that estimates the expected cash to be received and spent over a period of time.
Cash Cycle	↻ The length of time between a purchase of materials and collection of accounts receivable generated by the sale of the products made from the materials.

Cash Equivalents	<ul style="list-style-type: none"> ➤ Short-term (generally less than three months), highly liquid INVESTMENTS that are convertible to known amounts of cash. ➤ Highly liquid, short-term investments that can be turned to cash with little or no delay
Cash Equivalents	➤ Instruments or investments of such high liquidity and safety that they are virtually equal to cash.
Cash Flow	➤ In investments, NET INCOME plus DEPRECIATION and other non-cash charges. In this sense, it is synonymous with CASH EARNINGS. Investors focus on cash flow from operations because of their concern with a firm's ability to pay dividends.
Cash Flow Financing	➤ Short-term loan providing additional cash to cover cash shortfalls in anticipation of revenue, such as the payment(s) of receivables.
Cash Flow Forecast	➤ An estimate of the timing and amount of an MFI's inflows and outflows of money measured over a specific period of time typically monthly for one to two years then annually for an additional one to three years.
Cash Flows	<ul style="list-style-type: none"> ➤ Net of cash receipts and cash disbursements relating to a particular activity during a specified accounting period. ➤ Cash receipts and cash payments from operating activities, investing activities, and financing activities.
Cash Payments journal	➤ A special journal used for recording all disbursements of cash. Also called the cash disbursements journal.
Cash Ratio	➤ Ratio of cash and cash equivalents to liabilities; in the case of a bank, the ratio of cash to total deposit liabilities.
Cash Receipts journal	➤ A special journal used to record all receipts of cash, regardless of the source.
Cash	<ul style="list-style-type: none"> ➤ Any medium of exchange that a bank will accept at face value. ➤ Currency and checks on hand and deposits in banks. Listed in the current assets section on the statement of financial position.
Certificate of Deposit (CD)	➤ Formal instrument issued by a bank upon the deposit of funds which may not be withdrawn for a specified time period. Typically, an early withdrawal will incur a penalty.
Charges	➤ Charges or fees by the bank that are subtracted directly from the depositor's account and appear on the bank statement. Also called bank charges.
Chart of Accounts	<ul style="list-style-type: none"> ➤ A directory or listing of accounts in the ledger. ➤ A listing of all the accounts used by a business enterprise.
Check	➤ A written order directing a bank to pay a specified sum of money to a designated person or business.
Check Register	➤ A modified form of the cash payments journal used to record all transactions paid by check.
Check stub	➤ Part of a check that remains in the checkbook as a permanent record of the check.
Check book	➤ A bound book of checks with stubs; the depositor's record of the checking account.
Classified Balance sheet	➤ A balance sheet that divides the assets and liabilities sections into the following subsections: current assets and long-term assets, and current liabilities and long-term liabilities.
Classified Income statement	➤ An income statement divided into the following sections: revenue cost of goods sold (funds), operating expenses, and other income and expenses.

Clients in Bottom half of the population below the poverty line (Percentage)	<ul style="list-style-type: none"> ➤ Percentage clients in bottom half of the population below the poverty line (where the poverty line is defined as population living on less than US\$ 0.50/day).
Clients starting micro-enterprise for the first time (Percentage)	<ul style="list-style-type: none"> ➤ Percentage clients who access financial services from the MFI and who are starting a micro-enterprise for the first time.
Closing Entries	<ul style="list-style-type: none"> ➤ An entry necessary to eliminate the balance of a temporary account in preparation for the following accounting period.
Collateral	<ul style="list-style-type: none"> ➤ Assets pledged to secure the repayment of a loan. ➤ ASSET provided to a CREDITOR as security for a loan. ➤ Asset pledged by a borrower to secure a loan, which can be repossessed in the case of default. In a microfinance context, collateral can vary from fixed assets (a sewing machine) to cross-guarantees from peers.
Combined Financial Statement	<ul style="list-style-type: none"> ➤ FINANCIAL STATEMENT comprising the accounts of two or more programmes.
Commercial/ Financial Viability	<ul style="list-style-type: none"> ➤ See Financial Self-Sufficiency
Commercialization	<ul style="list-style-type: none"> ➤ In a microfinance context, commercialization refers to the move by MFIs to provide services on a financially self-sufficient basis and under prevailing commercial principle and regulations.
Commission	<ul style="list-style-type: none"> ➤ are one-time charges, generally calculated as percent of the loan amount.
Community-based finance institution:	<ul style="list-style-type: none"> ➤ The term "Community-based finance institution" (CBFI) has been formulated to define organizations, which enable low-income groups to participate fully, and democratically in the development process and which have their roots in the community. Frequently, these organizations are referred to as co-operatives, but some community-based organizations are in fact not co-operatives but groups with a similar structure and objectives [UN-ESCAP (1991)].
Comparative Financial Statement	<ul style="list-style-type: none"> ➤ FINANCIAL STATEMENT presentation in which the current amounts and the corresponding amounts for previous periods or dates also are shown. ➤ A side-by-side comparison of a company's financial statements for two or more accounting periods.
Competitive Advantage	<ul style="list-style-type: none"> ➤ The strategies, skills, knowledge, resources or competencies that differentiate an MFI from its competitors.
Compliance Audit	<ul style="list-style-type: none"> ➤ Review of financial records to determine whether the entity is complying with specific procedures or rules.
Composite-rate depreciation	<ul style="list-style-type: none"> ➤ A method of depreciation based on the use of a single rate that applies to entire groups of assets.
Compound Interest	<ul style="list-style-type: none"> ➤ Interest computed on principal plus interest earned in previous periods. Compound Interest is the concept of earning interest on interest in a savings account. This occurs when the interest is left in the account form period and the bank 'capitalizes' the interest for purposes of paying interest in later periods.
Conservatism	<ul style="list-style-type: none"> ➤ An investment strategy aimed at long-term capital appreciation with low risk; moderate; cautious; opposite of aggressive behavior; show possible losses but wait for actual profits. Concept that directs the least favorable effect on net income.
Consistency	<ul style="list-style-type: none"> ➤ ACCOUNTING postulate, which stipulates that, except as otherwise noted in the FINANCIAL

	STATEMENT, the same accounting policies and procedures have been followed from period to period by an organization in the preparation and presentation of its financial statements. The accounting principle that requires a firm (MFI) to continue to use a method once chosen, rather than switch from method to method arbitrarily or for temporary advantage.
Consolidated Financial Statements	<ul style="list-style-type: none"> ➤ Combined FINANCIAL STATEMENTS of a parent company and one or more of its subsidiaries as one economic unit.
Contingent Liability	<ul style="list-style-type: none"> ➤ Potential LIABILITY arising from a past transaction or a subsequent event. ➤ A possible liability, such as on a discounted note of a customer, that may become a real liability if certain events occur. ➤ A potential obligation that will materialize only if certain events occur in the future.
Contract	<ul style="list-style-type: none"> ➤ A formal written statement of the rights and obligations of each party to a transaction.
Cooperative/Credit Union	<ul style="list-style-type: none"> ➤ A non-profit financial institution that is owned and operated entirely by its members. Cooperative/Credit Unions provide financial services for their members, including savings and lending.
Co-operative:	<ul style="list-style-type: none"> ➤ A co-operative, as defined by the International Labour Organization is an association of persons, usually of limited means, who have voluntarily joined together to achieve a common economic end through the formation of a democratically controlled business organization, making equitable contributions to the capital required and accepting a fair share of the risks and benefits of the undertaking [UN-ESCAP (1991)].
Correcting entry	<ul style="list-style-type: none"> ➤ An entry used to correct certain types of errors in the ledger.
Cost	<ul style="list-style-type: none"> ➤ The financial measure of resources consumed in accomplishing a specific purpose such as performing a service, carrying out an activity, or completing a unit of work or a specific project. ➤ An input into the delivery of a product. There are three common inputs in manufacturing: (1) raw materials (finance etc), (2) direct labor, and (3) overheads.
Cost Accounting	<ul style="list-style-type: none"> ➤ Procedures used for rationally classifying, recording, and allocating current or predicted costs that relate to a certain loan product or service. ➤ The field of accounting that is used to determine the dollar value of services manufactured. ➤ Accounts that are presented on the income statement; used to determine the cost of rendered services / products to customers.
Cost of Capital	<ul style="list-style-type: none"> ➤ The discount rate that should be used in the capital budgeting process.
Costs and consequences of delinquency	<ul style="list-style-type: none"> ➤ Postpones/reduces Interest Income. ➤ Affects Cash Flow Negatively, Prevents Loan Disbursement on time and hence, impact outreach ➤ De-capitalize the Portfolio (or revolving loan fund) 4) Creates a negative image about the program ➤ Creates a negative image about the program ➤ Lowers morale of staff ➤ Creates a bad precedent for other clients who could join the bandwagon ➤ Ultimately, affects program sustainability
Credit	<ul style="list-style-type: none"> ➤ Entry on the right side of a DOUBLE-ENTRY BOOKKEEPING system that represents the reduction of an ASSET or expense or the addition to a LIABILITY or REVENUE. (See DEBIT.) ➤ The allowance of cash or services in the present, with payment expected in the future. To credit (Cr.) an account means to enter an amount on the right, or credit, side of the account.
Credit Balance	<ul style="list-style-type: none"> ➤ BALANCE remaining after one of a series of bookkeeping entries. This amount represents a LIABILITY or income to the entity. (See BALANCE.) ➤ Occurs when the amount on the credit side of an account is greater than the amount on the debit side.
Credit Loss	<ul style="list-style-type: none"> ➤ A loan receivable that has proven uncollectible and is written off.

Credit period	↻ The amount of time an MFI allows a client to repay a loan.
Credit Rating	↻ Usually used to determine an MFI's credit risk, a credit rating is an evaluation of an individual's or company's ability to repay obligations or its likelihood of not defaulting
Credit Risk	↻ Financial and moral risk that an obligation will not be paid and a loss will result.
Credit Scoring	↻ Measures the risk associated with each credit applicant/ microborrower. Credit scoring is an automated system that assigns points for various credit factors, providing lenders with the ability to grade prospective clients and to calculate the risk of extending credit. In a microfinance context, the credit scoring method is modified to take into account a microentrepreneur's experience, character and capacity to repay. The final credit score is an overall measure of the creditworthiness of the credit applicant.
Credit Terms	↻ Conditions under which credit is extended by a lender to a borrower.
Credit Union	<ul style="list-style-type: none"> ↻ A nonprofit, cooperative financial institution owned and run by its members. Members pool their funds to make loans to one another. The members elect the volunteer board that runs each credit union. Most credit unions are organized to serve people in a particular community, group or groups of employees, or members of an organization or association. ↻ Credit unions are community based financial co-operatives and most offer a full range of services. All are owned and controlled by members who are also shareholders.
Credit Union and Cooperatives	↻ In the financial sector, co-operatives, which enable savings to be made, and loans to be taken are generally known as "credit unions" which are registered under the legislation dealing with co-operatives. The basic credit union is composed of a group of people having a "common bond" who may be resident in the same neighbourhood or employed at the same place of work, or it can be a religious or ethnic grouping. The principal reason for the emphasis on a common bond is that the social pressure of the group is considered a very important condition as security for loans It is a form of collateral which is not available in conventional finance [UN-ESCAP (1991)].
Credit	↻ The right side of an account; the amount entered on the right side of an account; to enter an amount on the right side of an account.
Creditor	↻ Party that loans money or other ASSETS to another party. A business or person to whom a debt is owed.
Creditor	↻ Person or business that is owed money.
Cumulative Principal Due	↻ Cumulative Principal Due is the total principal due from a client as of the current installment
Cumulative Principal Overdue	↻ Cumulative Principal Overdue is the difference between cumulative principal due and cumulative principal paid (for any given client/loan) as of the current installment
Cumulative Principal Paid	↻ Cumulative Principal Paid is the total principal paid by a client as of the current installment
Cumulative Repayment Rate	↻ (CRR) = Principal amount paid so far – pre-payments by Principal amount due so far
Current Asset	<ul style="list-style-type: none"> ↻ ASSET that one can reasonably expect to convert into cash, sell, or consume in operations within a single operating cycle, or within a year if more than one cycle is completed each year. ↻ Cash and assets that will be sold, used up, or turned into cash within the current accounting period, usually one year. Besides cash, examples are receivables.
Current Assets	↻ Cash and other MFI assets that can be readily turned into cash within one year.
Current Liabilities	↻ Debts that are due for payment within one year. Examples are accounts payable, salaries payable, and the current portion of notes payable.

	<ul style="list-style-type: none"> ➤ Obligations an MFI has to others, payable within one year. Listed in the liabilities category on the statement of financial position. ➤ Obligation whose LIQUIDATION is expected to require the use of existing resources classified as CURRENT ASSETS, or the creation of other current liabilities. ➤ A liability that will be due within a short time (usually one year or less) and that is to be paid out of current assets.
Current Liabilities	➤ Debts or other obligations coming due within a year.
Current Ratio	➤ Current assets divided by current liabilities -- a measure of liquidity. Generally, the higher the ratio, the greater the "cushion" between current obligations and a firm's ability to meet them. The ratio obtained by dividing current assets by current liabilities. It is an indicator of a firm's ability to pay its short-term debts as they become due. The ratio of current assets to current liabilities.
Current Value	➤ (1) Value of an ASSET at the present time as compared with the asset's HISTORICAL COST. (2) In finance, the amount determined by discounting the future revenue stream of an asset using COMPOUND INTEREST PRINCIPLES.
Debit	➤ Entry on the left side of a DOUBLE-ENTRY BOOKKEEPING system that represents the addition of an ASSET or expense or the reduction to a LIABILITY or REVENUE. (See CREDIT.). To debit (Dr.) an account means to enter an amount on the left, or debit, side of the account.
Debit Balance	<ul style="list-style-type: none"> ➤ BALANCE remaining after one or a series of bookkeeping entries. This amount represents an ASSET or an expense of the entity. (See BALANCE.) ➤ Occurs when the amount(s) on the debit side of an account is greater than the amount(s) on the credit side.
Debt	➤ An amount owed for funds borrowed. The debt may be owed to an organization's own reserves, individuals, banks, or other institutions.
Debt Capacity	➤ An assessment of ability and willingness to repay a loan from anticipated future cash flow or other sources.
Debt Service	➤ Amount of payment due regularly to meet a debt agreement; usually a monthly, quarterly or annual obligation.
Debt/Equity Ratio	➤ Total debt divided by total Equity.
Debtor	➤ Party owing money or other ASSETS to a CREDITOR.
Decentralized branch accounting	➤ A system of accounting for branches in which each branch keeps its own records and prepares its own financial statements.
Declining Balance Method of interest calculation	➤ represents interest Calculated on the principal amount of the loan that is actually in the hands of the borrower during each amortisation period. For example, if a borrower has a Rs.100 loan for two months with two equal payments of the principal and an interest rate of 3% a month. Thus her monthly payments would not be equal. The first month she should pay Rs.53 and the second she would be pay Rs.51.50.
Default	➤ A failure to discharge a duty. The term is most often used to describe the occurrence of an event that cuts short the rights or remedies of one of the parties to an agreement or legal dispute, for example, the failure of the client to pay a loan installment, or to comply with mortgage covenants. Failure to meet any financial obligation. Default triggers a CREDITOR'S rights/remedies identified in the agreement and under the law.
Default and Micro-Finance	<ul style="list-style-type: none"> ➤ Default occurs when a client cannot/will not make loan repayments and the institution (SHG or MFI) does not expect any further payment from the client ➤ Failure to make timely payment of interest or principal on a loan, or to otherwise comply with the terms of a loan.

Deferral	<ul style="list-style-type: none"> ➤ A postponement of the recognition of an expense already paid or a revenue already received. Expenses and revenue that have been recorded in the current accounting period but are not incurred or earned until a future period.
Deferred Charge	<ul style="list-style-type: none"> ➤ Cost incurred for subsequent periods which are reflected as ASSETS. Another name for deferred expenses, usually applying to advance payments that cover more than a year.
Deferred Credits	<ul style="list-style-type: none"> ➤ Another name for deferred revenue, usually applying to amounts received more than a year in advance.
Deferred expenses	<ul style="list-style-type: none"> ➤ Advance payments for goods or services that benefit more than one accounting period.
Deferred Income	<ul style="list-style-type: none"> ➤ Income received but not earned until all events have occurred. Deferred income is reflected as a LIABILITY.
Deferred revenue	<ul style="list-style-type: none"> ➤ The advance receipt of revenue that will not be earned until a future accounting period.
Deferred revenue	<ul style="list-style-type: none"> ➤ $(\text{Net Operating Income} + \text{Taxes}) / \text{Period Average Assets}$
Deficit	<ul style="list-style-type: none"> ➤ Financial shortage that occurs when LIABILITIES exceed ASSETS. A debit balance in the Retained Earnings account.
Deflation.	<ul style="list-style-type: none"> ➤ A period when prices in general are falling and the purchasing power of the currency (dollar or pound or rupee) is increasing.
Delinquency	<ul style="list-style-type: none"> ➤ Delinquency is a situation that occurs when loan payments are past due and delinquent loans are loans in which any payment is past due
Delinquency	<ul style="list-style-type: none"> ➤ Delinquency is a situation that occurs when loan payments are past due ➤ Delinquent loans are loans in which any payment is past due Delinquent loans are loans in which any ➤ Delinquent loans are also called as loans in arrears ➤ Delinquent payments are also called as payments in arrears <p>In other words, a borrower who does not make the scheduled repayment on the due date is considered to be in arrears. Even if a part payment has been made, the borrower is still considered to be in arrears.</p> <p>For example, If 10 instalments of Rs 100 each were due as of yesterday and 9 instalments of Rs 100 have been paid back as of today (by the borrower), then, as per today, the loan is delinquent loan which has one instalment that has not been paid back. Similarly, if an instalment is due on the 5th of May, 2003 and if it is not paid on that date (by the borrower), then on the 6th of May, the loan should be classified as a past due loan.</p>
Delinquency management	<p>The outstanding portfolio or the principal amount of loan outstanding is the most important and largest asset for an MFI as it generates Income (Interest and Fees). In other words, it is the main product of the business demanded by clients and it is the reason for an MFI being in existence. Hence, ensuring that this asset is safeguarded (from delinquency) is very crucial for any micro-finance institution. This is because delinquency is like a 'hidden beast' that can eat away the portfolio (de-capitalize) of any micro-finance institution and prevent it from becoming sustainable. Therefore, managing delinquency to ensure that it does not raise its head is very critical in any micro-finance program and it helps MFIs work towards that objective by providing best practices guidelines and lessons from the global micro-finance experience.</p>
Delinquency Measurement	<ul style="list-style-type: none"> ➤ Delinquency can be <u>measured</u> by using two generic measures ➤ Portfolio based measures (Portfolio at Risk and Arrears Rate) ➤ Repayment based measures (Cumulative Repayment Rate and On-Time Repayment Rate) ➤
Delinquent	<ul style="list-style-type: none"> ➤ In a monetary context, something that has been made payable and is overdue and unpaid

Deposit interest rate (Percentage)	<ul style="list-style-type: none"> ➤ Deposit interest rate is the rate paid by commercial or similar banks for demand, time, or savings deposits. [Source: World Development Indicators database]
Deposit Slip	<ul style="list-style-type: none"> ➤ A form that is prepared when coin, currency, or checks are deposited in a bank account. It indicates the depositor's name and account number and summarizes the amount deposited. Also called deposit ticket.
Depositor	<ul style="list-style-type: none"> ➤ The business or person under whose name a checking account is opened.
Depreciation	<ul style="list-style-type: none"> ➤ Expense allowance made for wear and tear on an ASSET over its estimated useful life. (See ACCELERATED DEPRECIATION and STRAIGHT-LINE DEPRECIATION.) ➤ An allocation process in which the cost of a long-term asset (except land) is divided over the periods in which the asset is used in the production of the business's revenue. ➤ The periodic cost expiration of all plant assets except land. An allowance for wear or age made to the value of a fixed asset, allocating its cost over its estimated useful life. Listed in the assets category on the statement of financial position. ➤ Amortization of fixed assets, such as plant and equipment, so as to allocate the cost over their depreciable life.
Development Finance	<ul style="list-style-type: none"> ➤ Term that encompasses all financial services provided to low-income clientele in less developed nations - including micro-loans, microsavings, micro-insurance, etc.
Direct expense	<ul style="list-style-type: none"> ➤ An expense that is associated with a specific department; an expense that benefits only that department and that would not exist if the department did not exist.
Direct method	<ul style="list-style-type: none"> ➤ A format for the statement of cash flows that discloses each major class of cash inflow and cash outflow from operating activities. It shows the amount of cash received or paid for revenues and expenses reported on the income statement. This is the method recommended by best practices.
Direct write-off method	<ul style="list-style-type: none"> ➤ A method of accounting for bad debts in which the expense is recorded at the time of the write-off of a customer's account. ➤ A method of accounting for uncollectible receivables, whereby an expense is recognized only when specific accounts are judged to be uncollectible.
Disbursement	<ul style="list-style-type: none"> ➤ The actual transfer of financial resources. The disbursement of a micro-loan reflects the transfer of the loan amount from the lending institution to the borrower.
Disclaimer of Opinion	<ul style="list-style-type: none"> ➤ Statement by an AUDITOR indicating inability to express an opinion on the fairness of the FINANCIAL STATEMENTS provided and the reason for the inability.
Disclosure	<ul style="list-style-type: none"> ➤ Process of divulging accounting information so that the content of FINANCIAL STATEMENTS is understood.
Dividend	<ul style="list-style-type: none"> ➤ A distribution of earnings to the owners of the entity. A distribution of earnings of an MFI (or SHG) to its owners (shareholders or members).
Donations to subsidize financial services (Net)	<ul style="list-style-type: none"> ➤ Donations received in the financial year to apply towards operation of financial services, less any withdrawal of past year's donations, if any.
Double declining-balance method	<ul style="list-style-type: none"> ➤ A depreciation method that allows greater depreciation in the early years of the life of a plant asset and less depreciation in later years. This is achieved by applying a constant rate to each year's decreasing book value.
Double-entry accounting	<ul style="list-style-type: none"> ➤ Each business transaction affects the accounting elements in at least two ways. Recording both effects of a transaction is called double-entry accounting. A system for recording transactions based on recording increases and decreases in accounts so that debits always equal credits.
Double-Entry	<ul style="list-style-type: none"> ➤ Method of recording financial transactions in which each transaction is entered in two or more accounts

Bookkeeping	and involves two-way, self-balancing posting. Total DEBITS must equal total CREDITS.
Drawee	☞ The bank on which a check is drawn.
Drawer	☞ The business or person who writes a check.
Dual Effect	☞ The principle that states that all business transactions are recorded as having at least two effects on the basic accounting elements.
Due date	☞ The date on which a loan must be paid – this is based on the installment
Due Diligence	☞ The process of systematically evaluating information, to identify risks and issues relating to a proposed transaction.(i.e. verify that information is what it is proposed to be).
Earned capital	☞ Capital that arises from profitable operations of the MFI; usually called retained earnings.
Earnings	☞ In general, refers to a company's total earnings less total expenses and including interest and income tax.
Earnings Per Share (EPS)	☞ The portion of an MFI's profit assigned to each share. For example, if the profit is Currency (Dollar, Rupees, Pounds) 1 million and 500,000 shares are outstanding, the earnings per share would be Currency (Dollar, Rupees, Pounds) 1 million ÷ 500,000 shares = Currency (Dollar, Rupees, Pounds) 2.
Effective interest rate	☞ Effective interest rate includes the effects of interest, fees, commissions and calculation method and other loan requirements (forced savings, discounting) on the total cost of the loan. It represents the financial costs to borrower. It is calculated by using the internal rate of return function on a financial calculator.
Endorsement	☞ A signature or stamp on the back of a check that transfers ownership of the check to the bank or another person.
Equipment	☞ The physical assets needed by a business in order to operate.
Equity	<ul style="list-style-type: none"> ☞ The value of property in an organization greater than total debt held on it. Equity investments typically take the form of an owner's share in the business, and often, a share in the return, or profits. Equity investments carry greater risk than debt, but the potential for greater return should balance the risk. ☞ Residual INTEREST in the ASSETS of an entity that remains after deducting its LIABILITIES. Also, the amount of a business' total assets less total liabilities. Also, the third section of a BALANCE SHEET, the other two being assets and liabilities. ☞ The right or claim to the properties of a business enterprise. ☞ The part of a business enterprise's assets that belongs to the owners. In other words, the amount that would remain if a company sold all of its assets and paid off all of its liabilities. Listed as shareholders equity on the statement of financial position and on the statement of shareholders equity.
Equity	☞ The net worth of a business, consisting of capital stock, capital (or paid-in) surplus (or retained earnings), and, occasionally, certain net worth reserves. Common equity is that part of the total net worth belonging to the common shareholders. Total equity includes preferred shareholders. The terms common stock, net worth, and common equity are frequently used interchangeably.
Escrow	☞ Money or property put into the custody of a third party for delivery to a GRANTEE, only after fulfillment of specified conditions.
Exempt Organization	☞ Organization which is generally exempt from paying income tax. Exempt organizations include religious organizations, charitable organizations (NGO-MFIs etc), social clubs, and others.
Expected Return	☞ The total amount of money (return) an investor anticipates to receive from an investment.
Expenditure	☞ Payment, either in cash, by assuming a LIABILITY, or by surrendering ASSET.
Expense	☞ The amount of assets consumed or services used in the process of earning revenue.

	<ul style="list-style-type: none"> ➤ The costs of operating a business. Unlike the cost of an asset, the cost of an expense does not provide a future benefit to the business. Therefore, its effect is a reduction in owner's equity. ➤ Costs such as salaries, rent, office supplies and taxes. Listed in the operating expenses category on the statement of earnings.
External Audit	➤ A formal, independent review of an institution's financial statements, records, transactions and operations. External audits are usually performed by professional accountants in order to lend credibility to financial statements and management reports, to ensure accountability for donor funds, or to identify internal weaknesses in an organization. The external audit process is key to transparency.
Face Value	➤ The nominal value which appears on the face of a document recording an entitlement, generally an amount of money that has to be repaid on the maturity of a debt instrument.
Fair Market Value	➤ The highest price available, expressed in terms of cash, in an open and unrestricted market between informed, prudent parties acting at arm's length and under no compulsion to transact.
Fee	➤ A charge for services
Fees	➤ Fees are normally fixed amount charges, generally calculated as a percentage of the loan. Examples would be notary or legal fees. Fee amounts are normally independent of the principal amount of the loan.
Finance Company	➤ Company engaged in making loans to individuals or businesses. Unlike a bank, it does not receive deposits from the public.
Financial Assistance	➤ Economic assistance provided by unrelated third parties, typically government agencies. They may take the form of loans, loan guarantees, subsidies, tax allowances, contributions, or cost-sharing arrangements.
Financial Expense	➤ All interest, fees and commissions incurred on all liabilities, including deposit accounts of clients held by the MFI, commercial and concessional borrowings, mortgages, and other liabilities.
Financial forecast	➤ A statement indicating an enterprise's financial plans and expectations for the future.
Financial Incentive	➤ An expression of economic benefit that motivates behavior that might otherwise not take place.
Financial Institution	➤ Organization engaged in any of the many aspects of finance including MFIs, commercial banks, development banks, thrift institutions, investment banks, securities brokers and dealers, credit unions, investment companies, insurance companies etc
Financial Position	➤ Status of a firm's assets, liabilities, and equity accounts as of a certain time, as shown in its financial statement.
Financial Revenue	➤ Includes revenue generated from both the Gross Loan Portfolio and investments.
Financial Self-Sufficiency (FSS)	➤ Total operating revenues divided by total administrative and financial expenses, adjusted for low-interest loans and inflation. In a microfinance context, an institution is financially self-sufficient when it has enough revenue to pay for all administrative costs, loan losses, potential losses and funds.
Financial Statements	➤ Presentation of financial data including BALANCE SHEETS, INCOME STATEMENTS, STATEMENTS OF CASH FLOW AND PORTFOLIO REPORT, or any supporting statement that is intended to communicate an entity's (MFI's) financial position at a point in time and its results of operations for a period then ended. Summaries of financial activities.
Fiscal period	<ul style="list-style-type: none"> ➤ The period of time that covers a complete accounting cycle. A fiscal year is a fiscal period covering twelve months; it does not necessarily coincide with the calendar year. Period of 12 consecutive months chosen by an entity as its ACCOUNTING period which may or may not be a calendar year. ➤ A 12-month time period that may or may not be from January 1 to December 31 or April 1st to March 31st ➤ The annual accounting period adopted by an enterprise.

Fixed Assets	<ul style="list-style-type: none"> ☞ Any tangible ASSET with a life of more than one year used in an entity's operations. ☞ Anything MFIs use for delivery of financial services/products. ☞ Often called "Property, plant, and equipment" because that's what fixed assets usually are. Listed after current assets in the assets category on the statement of financial position.
Fixed Assets	☞ Long-lived property of a micro-entrepreneur or firm that is used in that business' production (i.e., a sewing machine is a fixed asset for a micro-entrepreneur who makes clothing). Fixed-asset lending is a type of microfinance product that disburses loans expressly for the purpose of purchasing these fixed assets, which aid in production volume and income. Land, buildings, plant, equipment, and other assets acquired for carrying on the business of an MFI with a life exceeding one year. Normally expressed in financial accounts at cost, less accumulated depreciation.
Fixed costs	☞ Costs that do not change as production changes; costs that occur even without any production
Fixed Expenses	☞ Cost of doing business which does not change with the volume of business. Examples might be rent for business premises, insurance payments, heat and light.
Fixed Interest Rate	☞ A rate that does not fluctuate with general market conditions.
Fixed Rate Loan	☞ Loan for a fixed period of time with a fixed interest rate for the life of the loan.
Fixed-Asset Lending/ Loan	☞ Microfinance product in which loans are disbursed expressly for the purpose of purchasing fixed assets, which aid in production volume and income.
Flat rate method of interest calculation	☞ represents interest calculated by multiplying the term of the loan by the monthly interest rate by the principal amount, irrespective of the payment plan.
Flexible budget	☞ A budget that is actually a series of budgets for different levels of activity
Flexible Term	☞ Optional periods of time during which the conditions of a contract will be carried out.
Forecast	☞ Prospective FINANCIAL STATEMENTS that are an entity's (MFI's) expected financial position, results of operations, and cash flows. Future-oriented financial information prepared using assumptions all of which reflect the entity's planned courses of action for the period covered given management's judgment as to the most probable set of economic conditions.
Formalized Line of Credit	☞ A contractual commitment to make loans to a particular borrower up to a specified maximum during a specified period, usually one year.
Fraud	☞ Willful misrepresentation by one person of a fact inflicting damage on another person.
Funding Costs	☞ The price of obtaining capital, either borrowed or equity, with intent to carry on business operations.
Funds statement.	☞ The statement of changes in financial position.
Fungibility	☞ The quality of money that makes one individual specimen indistinguishable from another. Anything used as money (gold, shells, bank notes) must have this quality. The fungibility of money makes it difficult for lenders to ensure that borrowers use the loan funds in the way lenders wish; one way they try to get round "misuse of funds" is to lend in kind. Often a person will borrow money for one stated purpose, but the effect of the loan is to finance another activity. Say, for example, that I intend to improve my house using savings but someone offers me a home improvement loan on attractive terms. The effect of the loan is not to increase quality of the housing stock, as the lender intended, but to enable me to undertake some other activity I could not otherwise have financed buying a motorcycle, taking a holiday, or perhaps partying every night. Micro finance lenders such as donors and NGOs tend to dislike this because (a) they don't think poor people should use their limited incomes on such things, and (b) it reduces the funds available for lending to other potential clients or beneficiaries [Varley, 1995].

Future Value	↻ The amount to which a payment or series of payments will grow by a given future date when compounded by a given interest rate. FVIF future value interest factor.
General Expense	↻ Expense incurred in the general operation of a business. Expenses related to (1) running a firm's office or (2) any other operating activities that do not involve its income operations. Also called administrative expenses.
General Ledger	↻ Collection of all ASSET, LIABILITY, owners EQUITY, REVENUE, and expense accounts. A ledger containing the financial statement accounts. The principal ledger, when used in conjunction with subsidiary ledgers that contains all of the balance sheet and income statement accounts.
Going Concern	↻ Assumption that a business (MFI) can remain in operation long enough for all of its current plans to be carried out.
Going Concern concept	↻ The concept that assumes that a business entity has a reasonable expectation of continuing in business at a profit for an indefinite period of time.
Goodwill	<ul style="list-style-type: none"> ↻ Premium paid in the acquisition of an entity over the fair value of its identifiable tangible and intangible ASSETS less LIABILITIES assumed. ↻ An intangible asset made up of such factors as an excellent reputation, a fine location, a superior product line, or outstanding management skills. Used to give a partner a greater capital credit than the amount of assets invested. ↻ An intangible asset that adds value to the worth of a company; for example, the reputation of its products, services, or personnel. Listed in the assets category (sometimes as "Investments and sundry assets") on the statement of financial position.
Governance	↻ Process by which a board of directors, through management, guides an institution in fulfilling its corporate mission and protects its assets.
Governing Documents	↻ Official legal documents that dictate how an entity is operated. The governing documents of a CORPORATION include ARTICLES OF INCORPORATION and BYLAWS; a PARTNERSHIP includes the partnership agreement; a TRUST includes the trust agreement or trust indenture; and an LLC includes the ARTICLES OF ORGANIZATION and OPERATING AGREEMENT.
Grace Period	↻ Length of time during which repayments of loan principal are excused. Usually occurs at the start of the loan period.
Gross Loan Portfolio	↻ The outstanding principal balance of all of the MFI's outstanding loans including current, delinquent and restructured loans, but not loans that have been written off. It does not include interest receivable.
Group Lending	↻ Lending mechanism which allows a group of individuals - often called a solidarity group - to provide collateral or loan guarantee through a group repayment pledge. The incentive to repay the loan is based on peer pressure - if one group member defaults, the other group members make up the payment amount.
Guarantee	↻ To take responsibility for payment of a debt or performance of some obligation if the person primarily liable fails to perform.
Guaranteed Loan	↻ A pledge to cover the payment of debt or to perform some obligation if the person liable fails to perform. When a third party guarantees a loan, it promises to pay in the event of a default by the borrower.
Guarantee	↻ Legal arrangement involving a promise by one person to perform the obligations of a second person to a third person, in the event the second person fails to perform.
Historical cost	↻ Original cost of an asset to an entity.
Horizontal analysis	↻ The comparison of each item in an MFI's financial statements in the current period with the same item from a previous accounting period or periods. The percentage analysis of increases and decreases in corresponding items in comparative financial statements.

Housing Finance	<ul style="list-style-type: none"> ➤ A specialized loan product that allows households of both micro-entrepreneurs and wage earners to finance home improvements or additions. Loans tend to be longer-term, and in larger amounts, than traditional micro-enterprise loans. In the case of micro-business owners, home improvement loans can enhance at-home businesses.
Income	<ul style="list-style-type: none"> ➤ Inflow of REVENUE during a period of time. (See NET INCOME.)
Income Statement	<ul style="list-style-type: none"> ➤ Summary of the effect of REVENUES and expenses over a period of time. A summary of a business's revenue and expenses for a specific period of time, such as a month or a year. Other terms used to describe the income statement are earnings statement, operating statement, statement of operations, and profit and loss statement.
Independent auditors' report.	<ul style="list-style-type: none"> ➤ A report accompanying financial statements, in which chartered accountants (CAs) express an opinion as to the fairness of the statements.
Indirect expense	<ul style="list-style-type: none"> ➤ An expense of operating a business that is not associated with a specific department; expenses that benefits an entire business and would continue to exist even if a specific department were eliminated.
Indirect Labor	<ul style="list-style-type: none"> ➤ The cost of those employees who work in the company, but not on the product itself. Example – Accountants not working in the credit program.
Inflation	<ul style="list-style-type: none"> ➤ A period when prices in general are rising and the purchasing power of the currency (dollar or rupee or pound sterling) is declining.
Informal Finance System	<ul style="list-style-type: none"> ➤ "Informal" refers to types of institutions. Most community-based financial institutions are formal organizations, although they are not normally targeted for a particular purpose. While every group exhibits some degree of formality, the term "informal" is used principally to describe traditional systems of savings and loans [UN-ESCAP (1991)].
Informal Sector/ Economy	<ul style="list-style-type: none"> ➤ A subset of the economy consisting of self-owned enterprises and the enterprises of informal employers, in both urban and rural areas. The businesses of the informal sector are not registered with any taxation or regulatory bodies. The main features of the informal sector are ease of entry, self-employment, small-scale production, labor-intensive work, lack of access to organized markets, and lack of access to traditional forms of credit
Insolvent	<ul style="list-style-type: none"> ➤ When an entity's LIABILITIES exceed its ASSETS.
Insurance Company	<ul style="list-style-type: none"> ➤ A firm licensed to sell insurance to the public.
Intangible Asset	<ul style="list-style-type: none"> ➤ Asset having no physical existence such as trademarks and patents. ➤ A long-lived asset that is useful in the operations of an enterprise, is not held for sale, and is without physical qualities. ➤ Long-term assets used in a business that lack physical substance. Examples include patents, copyrights, trademarks, and franchises. ➤ Anything nonphysical, such as goodwill, trademarks, and patents, that have value for a company. ➤ Listed in the assets category (sometimes as "Investments and sundry assets") on the statement of financial position. ➤ Positive peer pressure in micro-finance be such an intangible asset
Interest	<ul style="list-style-type: none"> ➤ Payment for the use or forbearance of money. The charge for credit; calculated as principal x rate x time. Interest is the amount a borrower pays in addition to the principal of a loan to compensate the lender for the use of the money. A charge for the use of money supplied by a lender.
Interest and Yield Difference	<ul style="list-style-type: none"> ➤ The term "interest" indicates the percent rate of return which the company that issues the fixed deposit agrees to pay you each year on the principal amount of your deposit. This rate normally remains constant during the period of the fixed deposit and is indicated in the fixed deposit offer document itself. Consider a fixed deposit of Rs. 5,000 with a period of two years and an interest rate of 10 percent payable annually. The company issuing this fixed deposit will pay you Rs. 500 (i.e. Rs. 5000 X 10 /100) as interest each year for two years. What, then, is "Yield"? Yield is simply the percent return that you get on an investment. In the example above, you receive Rs. 500 per year on the amount of Rs. 5,000 you invested

	<p>in the fixed deposit. To calculate the yield, divide Rs. 500 by Rs. 5,000 and multiply the result by 100. Here, the yield too works out to 10 percent. Does this mean that there is no difference between yield and interest? No, there is a difference between the two only if the frequency of interest payment is different. It is here that the concept of Yield to Maturity (YTM) comes into play. YTM indicates the percent return that you can earn by holding on to your fixed deposit till the date of its maturity i.e. without withdrawing it prematurely. YTM is particularly useful when you want to make a comparison of the returns on different investment options in order to be able to decide which investment to choose. Calculation of YTM is done on the assumption that the interest amount received on the fixed deposit is reinvested at the same interest rate. This is called compounding.</p>
Interest rate	<p>↻ Interest rate is the expression of interest as a percentage of the principal. Cost of using money, expressed as a rate per period of time, usually one year.</p>
Interim Financial Statements	<p>↻ FINANCIAL STATEMENTS that report the operations of an entity for less than one year</p>
Interim Financing	<p>↻ Short-term loan to provide temporary financing until more permanent financing is available</p>
Intermediary	<p>↻ An independent third party that may act as a mediator during negotiations.</p>
Internal Audit	<p>↻ AUDIT performed within an entity by its staff rather than an independent certified public accountant.</p>
Internal Control	<p>↻ Process designed to provide reasonable assurance regarding achievement of various management objectives such as the reliability of financial reports. The procedures used within a MFI to protect its assets.</p>
Internal transactions	<p>↻ Transactions, such as adjustments, that occur within an MFI and do not affect parties outside the company</p>
Investment	<p>↻ EXPENDITURE used to purchase goods or services that could produce a return to the investor. An MFI's equity ownership in unconsolidated subsidiaries and affiliates. Listed in the category of assets (for example, "Investments and sundry assets") on the statement of financial position.</p>
Invoice	<p>↻ A business document that contains the names and addresses of the buyer and the seller, the date and terms of the sale, a description of the goods, the price of the goods, and the mode of transportation used to ship the goods. The seller calls the invoice a sales invoice; the buyer calls it a purchase invoice. The bill provided by the seller (referred to as a sales invoice) to a purchaser (referred to as a purchase invoice) for items purchased.</p>
Journal	<p>↻ Any book containing original entries of daily financial transactions. ↻ A form in which transactions are recorded in chronological order (by order of date).</p>
Journalizing	<p>↻ The process of recording transactions in a journal.</p>
Lease Payment	<p>↻ The consideration paid by the lessee to the lessor in exchange for the use of the leased equipment/property. Payments are usually made at fixed intervals.</p>
Ledger	<p>↻ Any book of accounts containing the summaries of debit and credit entries. ↻ A collective grouping of accounts. The group of accounts used by an enterprise.</p>
Lending Policy	<p>↻ A course of action adopted by a financial institution to guide and usually determine present and future decisions in the light of given conditions.</p>
Lessee	<p>↻ Person or entity that has the right to use property under the terms of a LEASE.</p>
Lessor	<p>↻ Owner of property, the temporary use of which is transferred to another (LESSEE) under the terms of a LEASE.</p>
Letter of Credit	<p>↻ Conditional bank commitment issued on behalf of a customer to pay a third party in accordance with certain terms and conditions. The two primary types are commercial letters of credit and standby letters of</p>

	credit.
Letter of Intent	➤ A document signifying genuine interest in reaching a final agreement, conditional upon the results of more detailed due diligence and negotiations.
Letters of Credit	➤ A letter of credit is a guarantee of payment by a bank (issuing institution) to a third party for a specific amount of money, if certain conditions are met.
Leverage	<ul style="list-style-type: none"> ➤ Using long-term debt to secure funds for an organization. In the social investment world, often refers to financial participation by other private, public or individual sources ➤ The use of borrowed funds to earn a greater return than the cost of the borrowed funds. ➤ The tendency of the rate earned on stockholders' equity to vary from the rate earned on total assets because the amount earned on assets acquired through the use of funds provided by creditors varies from the interest paid to these creditors. ➤ A company's use of debt, instead of its equity, to support its assets and grow.
Liabilities	➤ Debts owed by the business (MFI). A company's debts to a lender, a supplier of goods and services, a tax authority, a landlord, and others. Listed as a category on the statement of financial position. DEBTS or obligations owed by one entity (DEBTOR) to another entity (CREDITOR) payable in money, goods, or services. A debt of a business enterprise.
Liabilities, Total Liabilities	➤ Total value of financial claims on a firm's assets. Equals total assets minus net worth.
Lien	➤ The right of a party to a contract to take possession of an asset unless payment under the contract is received in full. A lien must be registered under the various provincial laws in order to be valid and enforceable.
Limited Liability	➤ Limitation of shareholders' losses to the amount invested. Means that shareholders of a corporation are not personally liable for the debts of the company
Line of Credit	➤ Agreement by a bank that an MFI may borrow at any time up to an established limit. An agreement negotiated between a borrower and a lender that establishes the maximum amount against which a borrower may draw. The agreement also sets out other conditions, such as how and when money borrowed against the line of credit is to be repaid.
Liquid Asset	➤ An asset that can be quickly converted into cash. Examples include cash and marketable securities. Cash equivalents, and marketable SECURITIES.
Liquidity	➤ Refers to how quickly an asset can be turned into cash, used up, or expire; used in reference to assets, which are listed on the balance sheet in the order of their liquidity. The degree to which an asset can be cheaply and quickly turned into money
Loan Agreement	➤ A written contract between a lender and a borrower that sets out the rights and obligations of each party regarding a specified loan.
Loan Capital	➤ Borrowed funds having a fixed interest rate.
Loan Guarantee	➤ See Collateral.
Loan Loss Provision	➤ A loan loss provision is the amount shown on the Income and Expenses Statement.
Loan Loss Provision Expense	➤ A non-cash expense that is used to create or increase the Loan Loss Reserve on the balance sheet. The expense is calculated as a percentage of the value of the Gross Loan Portfolio that is at risk of default.
Loan	➤ Total write-offs divided by active portfolio. The loan loss rate is an indicator to measure un-recovered

Loss Rate	loans.
Loan Loss Reserve	➤ A loan loss reserve is an accounting entry that represents the amount of outstanding principal that is not expected to be recovered by a micro-finance organisation. It is recorded as a negative asset on the Balance Sheet as a reduction of the outstanding portfolio or as a liability.
Loan Loss Reserve	➤ The portion of the Gross Loan Portfolio that has been expensed (provisioned for) in anticipation of losses due to default. This item represents the cumulative value of the Loan Loss Provision Expenses less the cumulative value of Write Offs. It should be noted that the Loan Loss Reserve is usually not a cash reserve, but rather an accounting device to provide the reader information about the size of the anticipated loan losses. The reserve is built up from specific provision expenses related to the portfolio at risk or in some cases general provision expense against the entire Gross Loan Portfolio.
Loan Loss Reserve Ratio (Percentage)	➤ Loan Loss Reserve/ Gross Loan Portfolio
Loan Products	➤ Types of loans with particular sets of terms and conditions, and often for a particular use. Within the field of microfinance, loan products include fixed-asset lending, home improvement loans and solidarity group lending.
Loans that are <30 days due	➤ Loans with payments overdue for less than 30 days (from the scheduled date). Always take the first payment (that is overdue) for calculating the overdue age of the loan
Loans that are Above 365 days due	➤ Loans with payments overdue for over 365 days (from the scheduled date)
Loans that are Between 181-365 days due	➤ Loans with payments overdue for between 181 – 365 days (from the scheduled date)
Loans that are Between 31-60 days due	➤ Loans with payments overdue for between 30 – 60 days (from the scheduled date)
Loans that are Between 61-90 days due	➤ Loans with payments overdue for between 61 – 90 days (from the scheduled date)
Loans that are Between 91-180 days due	➤ Loans with payments overdue for between 91 – 180 days (from the scheduled date)
Longer-Term Fixed Assets	➤ Assets having a useful life greater than one year but the duration of the 'long term' will vary with the context in which the term is applied.
Long-Term Debt	<ul style="list-style-type: none"> ➤ DEBT with a maturity of more than one year from the current date. ➤ Debt a company (MFI) will repay after one year. Listed in the liabilities category on the statement of financial position. Wholesaler loans to MFIs are usually long term debt
Long-term investment	➤ An investment that is not intended to be a ready source of cash in the normal operations of a business and that is listed in the “investments” section of the balance sheet. Investments that management intends to hold for more than one year.
Long-term liabilities	<ul style="list-style-type: none"> ➤ Debts that will not come due for payment within one year. Examples are long-term notes payable and mortgages payable. ➤ A liability that is not due for a comparatively long time (usually more than one year).

Loss	☞ Excess of EXPENDITURES over INCOME for a period or activity.
Management	☞ Management refers to the individuals in an entity that have the authority and the responsibility to manage the entity. The positions of these individuals, and their titles, vary from one entity to another and, to some extent, from one country to another depending on the local laws and customs. Thus, when the context requires it, the term includes the board of directors or committees of the board, who are designated to oversee certain matters (e.g., audit committee).
Management Accounting	☞ Reporting designed to assist management in decision-making, planning, and control. Also known as Managerial Accounting.
Margin	☞ Excess of price over the unit cost – INTEREST MARGIN in case of micro-finance
Market Rate	☞ The rate of interest a company must pay to borrow funds currently.
Matching	☞ The principle of accounting that all revenues should be matched with the expenses incurred in earning those revenues during a period of time.
Matching Principle	<ul style="list-style-type: none"> ☞ A fundamental concept of basic accounting. In any one given accounting period, you should try to match the revenue you are reporting with the expenses it took to generate that revenue in the same time period, or over the periods in which you will be receiving benefits from that expenditure. ☞ A simple example is depreciation expense. If you buy a car that will last for many years, you don't write off the cost of that car all at once. Instead, you take depreciation deductions over the car's estimated useful life. Thus, you've "matched" the expense, or cost, of the building with the benefits it produces, over the course of the years it will be in service. ☞ A fundamental rule of basic accounting. In any one given accounting period, you should try to match the revenue you are reporting with the expenses it took. ☞ Requires that revenue earned during an accounting period be offset by the expenses that were necessary to produce that revenue, so that the accurate net income or net loss for the period can be reported
Maturity date	☞ The date on which the principal (amount) must be repaid. Date on which a debt is due for payment
Maturity value	☞ The principal plus the interest on an instrument like Fixed Deposit made by clients; the amount that must be paid to the payee on the maturity date of the instrument. The amount due at the maturity or due date of an FD/RD and similar instrument.
Mentor	☞ A close personal contact, usually in your industry, who has a network of contacts in the investment community and can assist a person in achieving their objectives.
Micro-credit	☞ A part of the field of microfinance, micro-credit is the provision of credit services to low-income entrepreneurs. Micro-credit can also refer to the actual micro-loan.
Micro-enterprise	☞ A small-scale business in the informal sector. Micro-enterprises often employ less than 5 people and can be based out of the home. Micro-enterprise is often the sole source of family income but can also act as a supplement to other forms of income. Examples of micro-enterprises include small retail kiosks, sewing workshops, carpentry shops and market stalls..
Micro-entrepreneur	☞ Owner/ proprietor of a micro-enterprise.
Microfinance	☞ Banking and/or financial services targeted to low-and-moderate income businesses or households, including the provision of credit.
Microfinance Institution (MFI)	☞ A financial institution - can be a nonprofit organization, regulated financial institution or commercial bank - that provides microfinance products and services to low-income clients.
Micro-insurance	☞ A developing field of microfinance that provides health insurance and other insurance products to micro-entrepreneurs and employees in the informal sector.
Microloan	☞ A loan imparted by a micro-finance institution to a micro-entrepreneur, to be used in the development of

	the borrower's small business. Micro-loans are used for working capital in the purchase of raw materials and goods for the micro-enterprise, as capital for construction, or in the purchase of fixed assets that aid in production, among other things.
Money Market	↻ Financial market in which funds are borrowed or lent for short periods. (The money market is distinguished from the capital market, which is the market for long term funds.)
Mortgage	↻ Debt instrument by which the borrower (mortgagor) gives the lender (mortgagee) a lien on property as security for the repayment of a loan.
Net earnings	↻ A MFI's total revenue less total expenses, showing what an MFI earned (or if lost, called net loss) for a set period, usually one year. Listed often literally as the "bottom line" on the statement of earnings. Also called net income and net profit.
Net Financial Revenue Ratio (Percentage)	↻ $(\text{Financial Revenue} - \text{Financial Expense}) / \text{Period Average Assets}$
Net Income	↻ Excess or DEFICIT of total REVENUES and GAINS compared with total expenses and losses for an ACCOUNTING period. Occurs when revenue earned during an accounting period exceeds the expenses of the same period. The final figure in the income statement when revenues exceed expenses. An MFI's total revenue less total expenses, showing what an MFI earned (or lost, called net loss) for a set period, usually one year. Listed often literally as the "bottom line" on the statement of earnings. Also called net earnings and net profit.
Net Income (After Taxes)	↻ Total revenue less total expenses, operating and non-operating, including all donations and taxes.
Net Income (Before Taxes)	↻ Total revenue less total expenses, operating and non-operating, including all Donations, but before Taxes.
Net Income Before Donations and Taxes	↻ Total revenue less total expenses, operating and non-operating, but before Donations and Taxes
Net Loan Portfolio	↻ Gross Loan Portfolio less the Loan Loss Reserve
Net loss	↻ The final figure in the income statement when expenses exceed revenues.
Net Non-operating Income	↻ Non-operating Revenue less Non-operating Expense
Net Operating Income	↻ Operating Revenue less all expenses related to the MFI's core financial service operations, including Operating Expense, Financial Expense, and Loan Loss Provision Expense. It does not include Donations, or revenues and expenses from non-financial services.
Net profit	↻ A MFI's total revenue less total expenses, showing what it earned (or lost, called net loss) for a set period, usually one year. Listed often literally as the "bottom line" on the statement of earnings. Also called net earnings and net income.
Net realizable value	↻ The difference between the balance in the Accounts Receivable account and the Allowance for Doubtful Accounts account; the actual amount of receivables that the firm expects to collect.
Net Working Capital	↻ Current assets minus current liabilities.
Net Worth	↻ Similar to EQUITY, the excess of ASSETS over LIABILITIES. The owner's equity in a business (MFI's). Listed as total equity on the statement of financial position. The difference between the total assets and total liabilities of a MFI.
Nominal	↻ The contracted, or stated, interest rate, unadjusted for price level changes. Nominal rate is the interest rate

Interest Rate	quoted to the borrower that is to be paid on a loan contract.
Non current assets.	➤ Anything of long-term value to an MFI, including fixed assets and intangible assets. Listed in the assets category (after current assets) on the statement of financial position.
Non-Bank Financial Institution	➤ An institution, which is not regulated by banking supervisory/regulatory or any local public agency, that provides similar services as do banks. They provide tailored-made services to their clients through the offering of lending and deposit vehicles.
Non-operating Expense	➤ All expenses not directly related to the core microfinance operation, such as the cost of providing business development services or training (unless the MFI includes training as a requirement for receiving loans).
Non-operating Revenue depreciation	➤ All revenue not directly related to core microfinance operations, such as revenue from business development services, training, or sale of merchandise.
Non-Profit (NGO)	➤ Non-Government Organization - organization that typically does not have a legal charter authorizing them to engage in financial intermediation. [Source: CGAP, Occasional Paper, April 2000]
Number of Active Borrowers	➤ The number of individuals who currently have an outstanding loan balance with the MFI or are responsible for repaying any portion of the Gross Loan Portfolio. This number should be based on the individual borrowers rather than the number of groups.
Number of Active Clients	➤ Number of individuals who have deposit and/or loan accounts in force with the MFI. A person with more than just one such account (i.e. with 2 loans) is counted as a single client in this measure.
Number of active MF Investments	➤ Number of active financial and technical (e.g. technical assistance) transactions (including loans & debt securities, equity, grants, guarantees and grants) carried on by the fund with its MFI clients.
Number of Personnel	➤ The number of individuals who are actively employed by the MFI. This includes contract employees or advisors who dedicate the majority of their time to the MFI, even if they are not on the MFI's roster of employees. This number should be expressed as a full-time equivalent, such that an advisor that spends 2/3 of her time at the MFI would be considered 2/3 of a full-time employee.
Number of Savers	➤ The total number of individuals who currently have funds on deposit with an MFI, which the MFI is liable to repay. This number applies only to deposits that are held by the MFI, not to those deposits held in other institutions by the MFI's clients. The number is based on individuals rather than the number of groups. It is possible that a single deposit account may represent multiple depositors.
Number of Women Borrowers	➤ Number of Active Borrowers who are women.
Operating activities	➤ Transactions that enter into the calculation of net income; operating activities affect the income statement. For MFIs, this is the delivery of financial services to clients
Operating Expense (Total)	➤ The total of all expenses related to operations, such as all personnel expenses, rent and utilities, transportation, office supplies, depreciation and Other Administrative Expense.
Operating Expense / Loan Portfolio (Percentage)	➤ Operating Expense / Period Average Gross Loan Portfolio
Operating expenses	➤ Expenses incurred in the normal operation of the business – micro-financing. Costs related to an MFI's operations. Examples are salaries, commissions, travel etc. Listed as a category on the statement of earnings.
Operating	➤ $\text{Fund Operating Expenses} / ((\text{Beginning year Fund Assets} + \text{Year end Fund Assets}) / 2)$

Expenses/Period Average Fund Assets	
Operating Lease	↻ One where the risks and benefits, as well as ownership, stays with the lessor.
Operating Line of Credit	↻ An MFI's commitment to make loans to a particular borrower (SHG also) up to a specified maximum for a specified period, usually one year.
Operating Loan	↻ A loan advanced under an operating line of credit.
Operating Revenue (Total)	↻ Includes all Financial Revenue and Other Operating Revenue.
Operational Self-Sufficiency (OSS):	↻ A measure of financial efficiency equal to total operating revenues divided by total administrative and financial expenses. If the resulting figure is greater than 100, the organization under evaluation is considered to be operationally self-sufficient. In microfinance, operationally sustainable institutions are able to cover administrative costs with client revenues.
Operational Self-Sufficiency (Percentage)	↻ $\text{Operating Revenue} / (\text{Financial Expense} + \text{Loan Loss Provision Expense} + \text{Operating Expense})$
Opportunity Cost	↻ The potential benefit that is foregone from not following the best (financially optimal) alternative course of action.
Opportunity Costs	↻ In the context of microfinance, opportunity costs include the time or anything "forgone" a borrower spends on applying and filling out the paperwork for a loan.
Other Administrative Expense	↻ Other non-personnel expenses from services integrally connected with financial services.
Other Operating Expense	↻ Expenses related to operations, such as all personnel expenses, rent and utilities, transportation, office supplies, and depreciation.
Other Operating Revenue	↻ Revenue that is generated from other financial services, such as fees and commissions for non-credit financial services that are not considered Financial Revenue. This item may include revenues linked with lending such as membership fees, ATM card fees, transfer fees, or other financial services such as payment services or insurance.
Outstanding Portfolio	↻ Outstanding Portfolio is the sum of the principal outstanding of all loans in a portfolio. It is also called as Total Outstanding Portfolio (TOP) . It is the largest income generating asset for any institution (SHG or MACs) involved in micro-finance as it is the asset on which income (interest) is earned. Delinquency, if unattended, affects this asset and could result in loss (or postponement) of income for the institution
Overdraft	↻ The amount by which a check or other payments exceeds the funds on deposits.
Overdue	↻ Overdue is the same as arrears or past due . When the instalment amount of a loan, which is due on a specific date, is not paid on that date, the amount due but not paid becomes the overdue . The concept was also briefly introduced in that if on 31 st January 2003, Rs 200 is due and is not paid by 31 st January 2003, then on February 1 st , that instalment is overdue and also the loan is an overdue loan with age of 1 day. . Overdue becomes the principal criteria for identifying a risky loan – a loan is risky if it has overdues. This concept of “riskiness” is used for calculating measures of delinquency like portfolio at risk (PAR) and it has become part of the best practices norms in micro-finance

PAR Limitations	<p>PAR has a serious limitation in that it is affected by sudden and large increases in outstanding portfolio and/or decreases in the unpaid principal balance which can be caused in any of the following ways:</p> <ul style="list-style-type: none"> • Disbursement of loans (increases outstanding portfolio but will not have an impact on the unpaid principal balance of past due loans, especially, if the repayment schedule has not begun) • Rescheduling of past due loans (reduces the unpaid principal balance of past due loans by making them current; there is no impact on outstanding portfolio) • Re-financing of past due loans (reduces the unpaid principal balance of past due loans by making them current and also increases the outstanding portfolio) • Loan write-offs (reduces the unpaid principal balance of past due loans and also reduces the outstanding portfolio) <p>When the outstanding portfolio increases, then the ratio appears lower and so does the risk. Likewise, when the unpaid principal balance of past due loans decreases, the ratio becomes smaller and the risk appears less. <i>But actually, the risk is still high.</i></p> <p>While the same limitation exists with the arrears rate as well, we limit our discussion to the PAR because it is the recommended ratio. The same formulas can be used for the arrears rate as well.</p>
Participation Fee	↻ Fee charged by a bank for taking part in providing a loan.
Partnership	↻ Non-incorporated business venture of two or more individuals or companies. Profits or losses flow, directly and equally, to the partners.
Payroll register	↻ Summary of the gross earnings, deductions, and net pay for all employees for a specific payroll period.
Penalties or Penal interest	↻ represent interest charged on a loan when payments are missed or delayed. Normally a penalty interest is stipulated in loan contracts to be a certain percent increase over the interest rate applied to the loan. In some cases it is a fixed and predetermined rate.
Pension	↻ Retirement plan offered by an employer for the benefit of an employee, usually at retirement, through a TRUSTEE who controls the plan ASSETS. (See EMPLOYEE BENEFIT PLAN.)
Performance Standards	↻ Normative levels set for specific performance measurements, like portfolio quality or leverage. In the field of microfinance, there are several entities and projects attempting to set universal performance standards for MFIs.
Period Average Assets	↻ $(\text{Beginning year Total Assets} + \text{Year end Total Assets}) / 2$
Period Average Equity	↻ $(\text{Beginning year Total Equity} + \text{Year end Total Equity}) / 2$
Period Average Gross Loan Portfolio	↻ $(\text{Beginning year Gross Loan Portfolio} + \text{Year end Gross Loan Portfolio}) / 2$
Period Average Personnel	↻ $(\text{Beginning year Personnel} + \text{Year end Personnel}) / 2$
Permanent Capital	↻ Financing needed for the normal operation of a business, that is long term capital and working capital.

Personal Assets	☞ Assets, the title of which are held personally rather than in the name of some other legal entity.
Personal Guarantee	☞ A legal document whereby an individual takes responsibility for payment of debt or performance of some obligation if the person/company primarily liable fails to perform.
Personnel Productivity	☞ Number of Active Borrowers / Number of Personnel
Petty cash fund	☞ A small amount of cash kept in the office for making small payments for items such as postage and office supplies. A special cash fund used to pay relatively small amounts.
Petty cash payments record	☞ An auxiliary record, one that is used to record payments from the petty cash fund. At the end of the month, the record is summarized and used as a basis for a journal entry.
Petty cash voucher	☞ A voucher used when payment is made from the petty cash fund. It shows the amount of the payment, the purpose, and the account to be debited.
Petty cashier	☞ The person designated to disburse money from the petty cash fund.
Pledged Asset	☞ ASSET placed in a TRUST and used as COLLATERAL for a DEBT.
Portfolio at Risk	☞ Measurement of the total outstanding balance of loans past due - net late payments or payments not yet due - divided by the active portfolio. A more rigorous manner of assessing portfolio quality than portfolio past due/ delinquent portfolio.
Portfolio at risk (PAR) =	☞ Unpaid Principal Balance of Loans with Payments Past Due divided by Total Outstanding Portfolio (TOP)
Portfolio at Risk > 30 days	☞ The value of all loans outstanding that have one or more installments of principal past due more than 30 days. This includes the entire unpaid principal balance, including both the past due and future installments, but not accrued interest. It does not include loans that have been restructured or rescheduled.
Portfolio at Risk > 30 days Ratio (Percentage)	☞ Portfolio at Risk > 30 days (total) / Gross Loan Portfolio
Portfolio in Arrears (PIA) =	☞ Amount Past Due (or in Arrears or Overdue) by Total Outstanding Portfolio (TOP)
Portfolio Outstanding	☞ See Active Portfolio.
Portfolio Past Due/ Delinquent Portfolio	☞ Total amount of loan payments that are due but have not yet been paid divided by active portfolio.
Posting	☞ The process of transferring amounts from the journal to the ledger. The process of transferring debits and credits from a journal to the accounts.
Posting errors	☞ Errors that result from incorrect transfers from the journal to an account or from the ledger to the trial balance.
Prepaid Expense	<ul style="list-style-type: none"> ☞ Cost incurred to acquire economically useful goods or services that are expected to be consumed in the revenue-earning process within the operating cycle. ☞ A purchased commodity or service that has not been consumed at the end of an accounting period. ☞ Another name for deferred expenses, usually applying to advance payments that cover a year or less.
Prime Rate	☞ The interest rate that is charged by the banks to their most credit worthy customers.
Principal	☞ In commercial law, the principal is the amount that is received, in the case of a loan, or the amount from

	which flows the interest. The amount of money borrowed or the amount of credit extended. Also called the face value. The obligation due under a debt instrument exclusive of interest.
Principal Amount	↻ Generally, refers to the face value of a debt.
Principal Outstanding	↻ Principal outstanding of a loan (on a given date) is the total <u>unpaid</u> principal balance for that loan on that date. It equals the loan disbursed minus cumulative repayments
Principle of materiality	↻ States that proper accounting procedures have to be strictly followed only for events and transactions that would have an effect on a business's financial statements.
Prior period adjustment.	↻ Correction of a material error related to a prior period or periods, excluded from the determination of net income.
Profit center	↻ Any segment of a business that incurs expenses while producing revenue.
Profitability	↻ The ability of a business (MFI) to earn a reasonable return on the owners' investments. ↻ The ability of an MFI to earn income.
Projection	↻ Prospective FINANCIAL STATEMENTS that include one or more hypothetical assumptions.
Promissory Note	↻ Written promise committing the maker to pay a specified sum of money either on demand or on some future date, with or without interest.
Proprietor	↻ A single person who is the owner of an unincorporated business.
Published Financials	↻ Financial statements and financial information made public.
Quick Assets	↻ Current assets that can be converted to cash right away, such as receivables and marketable securities. The sum of cash, receivables, and marketable securities.
Quick Ratio	↻ The simple ratio of a MFI's liquid assets to current liabilities. Such assets include cash, marketable securities, and accounts receivable.
R&D	↻ See RESEARCH AND DEVELOPMENT.
Rate of Return	↻ Return on invested capital (calculated as a percentage). Often an investor has, as one of their investment criteria, a minimum acceptable rate of return on an acquisition.
Ratio	↻ A fractional relationship of one number to another. A measure of the relative size of two numbers. Usually, financial ratios are expressed as a times multiple (x) or a percentage (%). Ratios provide a quick way to compare a company (MFI) to its performance over time, to other MFI, and to the industry average.
Ratio Analysis	↻ Comparison of actual or projected data for a particular company (MFI) to other data for that company or industry in order to analyze trends or relationships.
Real interest rates	↻ Real interest rates are rates that have been adjusted to compensate for the effects of inflation. That is the nominal or effective rate minus inflation. A negative real rate implies the interest charged falls below the inflation rate. A positive rate means that the rate of interest is set above the inflation rate.
Realization principle	↻ The principle that states that revenue should be recorded when it is earned, even though cash may not be collected until later.
Receivables	↻ Accounts receivable; an amount that is owed the business, usually by one of its clients as a result of the ordinary extension of credit. Amounts of money due from clients or other DEBTORS.
Reconciliation	↻ Comparison of two numbers to demonstrate the basis for the difference between them.

Recourse	☞ In the event a person defaults on a loan, recourse is the right of a person to receive payment. Recourse could give the lender the ability to take possession of the borrowers assets.
Refinancing Agreement	☞ Arrangement to provide funding to replace existing financing, the most common being a refinance of a loan.
Regulation and Supervision	☞ The creation and enforcement of a set of rules and standards for financial institutions, including MFIs. These rules are usually set by a country's central bank or superintendency of banks, or by other banking agencies.
Reinsurance	☞ Process by which an insurance company obtains insurance on its insurance claims with other insurers in order to spread the risk.
Remit	☞ Pay for purchase goods or services by cash, cheque, or electronic payment.
Remittance	☞ A payment in cash, check or electronic transfer.
Repayment Terms	☞ The length of time given a borrower by a lender to repay a debt and the frequency of principal payments, which the borrower has to meet.
Report of independent accountants.	☞ A summary of the findings of a firm of independent certified public accountants that audits, or examines, a company's financial statements. This report is included in the company's annual report. Also called auditors' report and auditors' opinion.
Reserve	☞ ACCOUNT used to earmark a portion of EQUITY or fund balance to indicate that it is not available for expenditure
Restructuring	☞ Reorganization within an entity. Restructuring may occur in the form of changing the components of CAPITAL, renegotiating the terms of DEBT (Loan) agreements, etc.
Retained Earnings	☞ Net profits kept to accumulate in a business after dividends are paid.
Return on Equity (Percentage)	☞ $(\text{Net Operating Income} + \text{Taxes}) / \text{Period Average Equity}$
Revenue	☞ Income earned from carrying out the activities of micro-financing. The amount charged to customers for goods sold or services rendered – interest on loans etc.
Reversing entry	☞ An entry made at the start of a new accounting period to reverse an adjusting entry made at the end of the previous period. A reversing entry is the exact opposite of the adjusting entry. An entry that reverses a specific adjusting entry to facilitate the recording of routine transactions in the subsequent period.
Revolving Credit	☞ Line of Credit against which funds may be borrowed at any time, with regular scheduled repayments of a predetermined minimum amount.
Risk	☞ A state in which the number of possible future events exceeds the number of events that will actually occur, and some measure of probability can be attached to them.
Risk of Collection	☞ Chance that a borrower or trade debtor will not repay an obligation as promised.
Rural Bank	☞ Banking institution that targets clients who live and work in non-urban areas and who are generally involved in agricultural-related activities.
Salaried employees	☞ Individuals who work for a fixed amount for a definite period of time, such as a week, a month, or a year.
Salary	☞ A fixed amount paid to employees for a certain period of time, such as a week or a month.

Salvage Value	☞ Selling price assigned to retired FIXED ASSETS or merchandise unsaleable through usual channels. The amount that an asset is expected to be worth at the end of its productive life. Also called scrap value, trade-in value, and residual value.
Salvage Value	☞ The value of a capital asset at end of a specified period. It is the current market price of an asset being considered for replacement in capital budgeting.
Savings	☞ The total value of funds placed in an account with the MFI that is payable on demand to the depositor. This item includes any current, checking, or savings accounts that are payable on demand. It also includes time deposits, which have a fixed maturity date. For an institution with no other form of deposit, Savings includes deposits, as well.
Savings Mobilization	☞ Programs intending to mobilize the capital of the poor and to provide savings accounts, as well as credit services, to microentrepreneurs and low-income households.
Schedule of accounts payable	☞ A listing of the individual creditor balances in the accounts payable ledger.
Schedule of accounts receivable	☞ A listing of the balances in the accounts receivable ledger.
Securitization	☞ The process of pooling a group of assets, such as loans or mortgages, and selling securities backed by these assets. Securitization is one way microfinance institutions can access capital markets, improve liquidity and lend more money, all while managing risk.
Security	☞ Collateral offered by a borrower to a lender to secure a loan.
Security Value	☞ The monetary value placed on security by a lender in determining the extent to which it can make loans against such security.
Seed Capital	☞ Equity and loan capital provided for a new and/or existing business undertaking by persons other than the proprietors.
Seed Financing/Capital	☞ Generally, refers to the first contribution of capital toward the financing requirements of a start-up business.
Self-sufficiency:	☞ Self-sufficiency occurs when a micro credit programme can cover all of its operating expenses (including loan losses and the cost of capital) entirely with internally-generated sources of income.
Shareholder	☞ Owner of one or more shares of stock in a corporation.
Shareholder's Equity	☞ Represents the total assets of a corporation less liabilities.
Short-Term	☞ Current; ordinarily due within one year.
Small & Medium Scale Enterprises (SMEs)	☞ Enterprises employing 5 to 10 workers (small-scale) or between 10 and 50 workers (medium-scale).
Solidarity Group	☞ See Group Lending.
Solvency	☞ The ability of an MFI to pay its debts as they come due.
Spread	☞ Difference between two prices, usually a buying and selling price. This happens with interest in the case of micro-finance
Statement of Cash Flows	☞ A statement of cash flows is one of the basic financial statements that is required as part of a complete set of financial statements prepared in conformity with generally accepted accounting principles. It categorizes net cash provided or used during a period as operating, investing and financing activities, and

	<p>reconciles beginning and ending cash and cash equivalents.</p> <ul style="list-style-type: none"> ➤ A financial statement that provides information about the cash flows from operating activities, investing activities, and financing activities during an accounting period and the net increase or decrease in cash that occurred. ➤ A financial statement that reports the flow of cash in and out of a company (MFI) for a set period, usually one year. It reports the operating activities, investing activities and financing activities of the company.
Statement of Changes in financial position	<ul style="list-style-type: none"> ➤ A basic financial statement devoted exclusively to reporting changes in financial position for a specified period of time.
Statement of earnings.	<ul style="list-style-type: none"> ➤ A financial statement that reports the results of a company's business operations (revenue and expenses) for a set period, usually one year. Also called an earnings report, income statement, statement of operations, and statement of profit and loss.
Statement of Financial Condition	<ul style="list-style-type: none"> ➤ Basic FINANCIAL STATEMENT, usually accompanied by appropriate DISCLOSURES that describe the basis of ACCOUNTING used in its preparation and presentation as of a specified date, the entity's ASSETS, LIABILITIES and the EQUITY of its owners. Also known as BALANCE SHEET.
Statement of financial position	<ul style="list-style-type: none"> ➤ A financial statement that reports a company's (MFI's) assets and the claims against them — liabilities and equity — at a set date noted on the statement. Also called the balance sheet.
Statement of operations	<ul style="list-style-type: none"> ➤ A financial statement that reports the results of a company's business operations (revenue and expenses) for a set period, usually one year. Also called an earnings report, income statement, statement of earnings, and statement of profit and loss.
Statement of profit and loss	<ul style="list-style-type: none"> ➤ A financial statement that reports the results of a company's business operations (revenue and expenses) for a set period, usually one year. Also called an earnings report, income statement, statement of earnings, and statement of operations.
Stepped Lending	<ul style="list-style-type: none"> ➤ The process by which borrowers who repay loans on time are eligible for increasingly larger loans. Stepped lending keeps initial risk at a minimum while allowing microentrepreneurs to grow their businesses and increase their incomes.
Straight-Line Depreciation	<ul style="list-style-type: none"> ➤ ACCOUNTING method that reflects an equal amount of wear and tear during each period of an ASSET'S useful life. For instance, the annual STRAIGHT-LINE DEPRECIATION of a Currency (Dollor, Rupees, Pounds) 2,500 asset expected to last five years is Currency (Dollor, Rupees, Pounds) 500. (See ACCELERATED DEPRECIATION.)
Straight-line depreciation method	<ul style="list-style-type: none"> ➤ A method of depreciation that provides for equal periodic charges to expense over the estimated life of an asset.
Subsidiary Ledgers	<ul style="list-style-type: none"> ➤ Ledgers that contain only one type of account; the example in this chapter is the accounts payable ledger.
Subsidized Rates of Interest	<ul style="list-style-type: none"> ➤ Loan interest rates that are kept artificially low (below market rates) by the lending institution; often subsidized by donations.
Supervision	<ul style="list-style-type: none"> ➤ See Regulation and Supervision.
Sustainability	<ul style="list-style-type: none"> ➤ An organization's ability to cover costs. There are varying degrees of sustainability, ranging from not sustainable to financially sustainable (see Financial Self-Sufficiency and Operational Self-Sufficiency). ➤ Sustainability is the ability of a micro credit programme to maintain its operations and continue to provide service to its customers or clients. A Programme is sustainable when a combination of external grants, loans, and internally generated revenues are sufficient to cover all programme expenses over the long term [OECD, 1996].
Tangible	<ul style="list-style-type: none"> ➤ All physical assets used by a business are tangible (capable of being touched).
Tangible	<ul style="list-style-type: none"> ➤ ASSETS having a physical existence, such as cash, land, buildings, machinery, or claims on property,

Asset	investments or goods in process. (See INTANGIBLE ASSETS.)
Taxes	☞ Includes all taxes paid on net income or other measure of profits as defined by local tax authorities. This item may also include any revenue tax. It excludes taxes related to employment of personnel, financial transactions, fixed-assets purchase or other value-added taxes.
Term	☞ Refers to the maturity or length of time until final repayment on a loan, etc. This is usually the duration of a loan. Loan for a specified time period.
Term Loan	☞ A secured loan made to business concerns for a specific period (normally three to ten years). It is repaid with interest, usually with periodical payments.
Time	☞ The number of years, months, or days for which interest is charged. Also called the term.
Total Assets	☞ Includes all asset accounts net of all contra asset accounts, such as the loan loss reserve and accumulated depreciation.
Total Equity	☞ Total assets less total liabilities. It is also the sum of all of the equity accounts net of any equity distributions such as dividends, stock repurchases, or other cash payments made to shareholders.
Total Liabilities	☞ All the liability accounts representing everything that the MFI owes to others, including all deposits, borrowings, accounts payable, and other liability accounts.
Total Liabilities and Equity	☞ The sum of Total Liabilities and Total Equity
Transaction	☞ Any activity that changes the value of a firm's assets, liabilities, or owner's equity.
Transformation	☞ In a microfinance context, transformation refers to the process by which a nonprofit community organization or an NGO becomes a regulated financial institution.
Transparency	☞ The degree of a financial institution/ MFI's openness as determined by a sequence of financial information-gathering and testing. A transparent microfinance organization gathers and reports accurate financial information on its own, to be verified and analyzed by external parties. These external authorities ensure that the MFI's performance complies with appropriate industry standards.
Trend	☞ A pattern in a company's (MFI's) financial performance over time.
Trial Balance	☞ A listing of all ledger accounts with their balances to test the equality of debits and credits; it is usually prepared at the end of each month. A summary listing of the balances and the titles of the accounts.
Unaudited Financial Statements	☞ FINANCIAL STATEMENTS which have not undergone a detailed AUDIT examination by an independent CHARTERED ACCOUNTANT (CA).
Uncollectible account	☞ Another name for bad debt.
Unearned Income	☞ Payments received for services which have not yet been performed.
Unearned revenue	☞ Another name for deferred revenue, usually applying to amounts received a year or less in advance. Revenue received in advance of its being earned.
Unencumbered	☞ Property free and clear of all liens (creditors' secured claims).
Valuation	☞ The act or process of determining the value or price of something. (see fair market value)
Variable costs	☞ Costs that vary in total as production varies, but remain the same per unit regardless of how many units are produced.

Venture Capital	☞ Equity and loan capital provided for a new and/or existing business undertaking by persons other than the proprietors.
Venture Capitalist	☞ Entity investing in companies that have an element of risk but offer potentially above average returns.
Vertical analysis	☞ The expression of each item in a MFI's financial statement as a percent of a base figure, in order to see the relative importance of each item. For the balance sheet, the base is total assets; for the income statement, the base is total revenue. The percentage analysis of component parts in relation to the total of the parts in a single financial statement.
Village Banking	☞ Lending methodology in which clients - typically women - form groups of approximately 10-30 individuals that are autonomously responsible for leadership, bylaws, bookkeeping, fund management and loan supervision. The group pools funds to use for business loans, savings, and mutual support, and members cross-guarantee individual loans.
Voucher	☞ A method of accounting for cash payments in which all payments are authorized in advance and kept track of internally
Voucher register	☞ The journal in which all vouchers are recorded.
Voucher	☞ A document that serves as evidence of authority to pay cash.
Wage	☞ A fixed hourly rate paid to an employee.
Weighted Average Cost of Capital (WACC)	☞ A weighted average of the component costs of debt, preferred shares, and common equity. Also called the composite cost of capital.
Working Capital	<ul style="list-style-type: none"> ☞ Technically, means current assets and current liabilities. The term is commonly used a synonymous with net working capital. The term often also is used to refer to all short-term funding needs for operations (excluding debt service and fixed assets). A company's investment in current assets that are used to maintain normal business operations. Net working capital, which is the excess of current assets over current liabilities, is also interchangeable with working capital. Both reflect the resources in circulation to meet operating needs and obligations as they come due. ☞ Excess of CURRENT ASSETS over CURRENT LIABILITIES. ☞ The excess of a firm's current assets over its current liabilities. A strong working capital means that the firm is likely to be able to carry on its current operations. ☞ The excess of total current assets over total current liabilities at some point in time. ☞ Defined as the difference between current assets and current liabilities, excluding short-term debt. Funds invested in a company's cash, accounts receivable and inventory. Net working capital is current assets minus current liabilities.
Working Capital Cash	☞ The cash component of working capital.
Write off	☞ When an investment, such as a loan, becomes seriously delinquent or in default and is determined to be uncollectible, the lender may choose to charge the outstanding investment amount as an expense or a loss.
Write Off Ratio (Percentage)	☞ Write Offs for the 12-month period / Period Average Gross Loan Portfolio
Write Offs for the 12-month period	☞ Total amount of loans written off during the period. A write-off is an accounting procedure that removes the outstanding balance of the loan from the Gross Loan Portfolio and from the Loan Loss Reserve when these loans are recognized as uncollectible.
Write-off	☞ Charging an asset amount to expense or loss. A microfinance institution writes off loans not expecting to collect them, while continuing to attempt collection. Loan losses or write-offs occur only as an accounting entry. They do not mean that loan recovery should not be pursued. In fact, it should be identified. They decrease the reserve and the outstanding portfolio.

Yield	☛ Return on an INVESTMENT an investor receives from DIVIDENDS or INTEREST expressed as a percentage of the cost of the SECURITY. Yield on loans are calculated for micro-finance