

# Finance Jargon Field Guide

Quick reference for high-level ESL learners who need precise finance vocabulary and workplace meeting language

**Audience: advanced ESL learners in accounting, FP&A, treasury, banking, investments, audit, risk, corporate finance, and finance-adjacent roles**

Focus: high-level professional English for finance workplaces, including financial statements, FP&A, treasury, banking, investment analysis, valuation, risk, audit, controls, compliance, and realistic finance dialogue.

Designed for advanced ESL learners who already work in accounting, FP&A, treasury, banking, investment management, corporate finance, audit, risk, investor relations, or finance-adjacent roles.

Teaching stance: this is finance English training, not investment, tax, accounting, banking, or legal advice. Standards, regulations, products, and disclosure requirements vary by jurisdiction and role. Learners should practice precise language and professional judgment while relying on qualified finance, accounting, legal, tax, and compliance guidance for actual decisions.

## How to Use Finance Jargon Well

- Use the term only when it makes the financial issue more precise.
- Pair jargon with comparison point, driver, magnitude, timing, recurrence, and source.
- Define formulas for mixed audiences; EBITDA, free cash flow, margin, and leverage can have different definitions.
- Avoid giving investment, tax, accounting, legal, or banking advice outside your role and approval process.

## Nomenclature and Jargon

Teach these terms as working vocabulary. Learners should be able to define the term, use it in a realistic sentence, ask one clarification question about it, and explain the business consequence. Because finance terms depend on standards, formulas, contracts, and jurisdiction, learners should ask which definition is being used.

### Financial statements and accounting

Term	Working meaning
Revenue	Income from delivering goods or services, recognized under applicable accounting rules.
Gross margin	Revenue minus cost of goods or services, often expressed as a percentage of revenue.
Operating income	Profit from operations before items such as interest and taxes, depending on presentation.
EBITDA	Earnings before interest, taxes, depreciation, and amortization; often adjusted but not a cash-flow substitute.
Accrual	An accounting estimate recorded before cash payment or receipt occurs.
Deferred revenue	Cash received before revenue is recognized.
Working capital	Operational assets and liabilities such as receivables, inventory, and payables.
Free cash flow	Cash generated after operating needs and capital expenditures, depending on definition used.

### FP&A and performance management

Term	Working meaning
Budget	Approved financial plan for a period.
Forecast	Updated estimate of future performance based on current information.
Run rate	An annualized or forward-looking estimate based on recent performance, with limitations.
Variance	Difference between actual and comparison point such as budget, forecast, or prior period.
Bridge	Step-by-step explanation from one financial number to another.
Sensitivity	Analysis showing how results change when an assumption changes.
Scenario	A coherent case such as base, upside, downside, or stress case.
Guidance	Management's communicated expectation for future performance, usually externally sensitive.

### Treasury, liquidity, and working capital

Term	Working meaning
Liquidity	Ability to meet obligations when due without unacceptable loss or disruption.

Term	Working meaning
Cash runway	How long available cash is expected to last at current or projected burn.
Revolver	A revolving credit facility that can be drawn and repaid within agreed limits.
Covenant	A requirement in a financing agreement, often tied to leverage, coverage, or reporting.
DSO	Days sales outstanding; a measure of collection speed for receivables.
DPO	Days payable outstanding; a measure of payment timing to suppliers.
Hedge	A transaction intended to reduce exposure to financial risk.
FX exposure	Potential financial impact from movements in foreign exchange rates.

## Markets and investments

Term	Working meaning
Return	Gain or loss on an investment over a period, usually expressed as a percentage.
Volatility	Degree of price movement or variability over time.
Liquidity	Ability to buy or sell an asset without excessive delay or price impact.
Yield	Income return on a bond or investment, expressed as a percentage.
Duration	Measure of a bond's sensitivity to interest-rate changes.
Spread	Difference between yields or rates, often reflecting credit or liquidity risk.
Benchmark	Reference index or target used to evaluate performance.
Attribution	Analysis explaining sources of portfolio return or relative performance.

## Banking and credit

Term	Working meaning
Credit risk	Risk that a borrower or counterparty does not meet obligations.
Leverage	Use of debt relative to earnings, assets, or equity.
DSCR	Debt service coverage ratio; cash flow relative to required debt payments.
LTV	Loan-to-value ratio; loan amount relative to collateral value.
Collateral	Assets pledged to support repayment or reduce loss severity.
Probability of default	Estimated likelihood that a borrower defaults.
Loss given default	Estimated loss severity if default occurs.
Concentration risk	Exposure to a borrower, sector, geography, customer, or asset type that is too large or correlated.

## Valuation and corporate finance

Term	Working meaning
DCF	Discounted cash flow valuation based on projected cash flows and discount rate.
WACC	Weighted average cost of capital; a common discount-rate input.
NPV	Net present value; present value of benefits minus costs or investment.

Term	Working meaning
IRR	Internal rate of return; discount rate that sets NPV to zero.
Enterprise value	Value of the operating business, often before deducting net debt.
Equity value	Value attributable to shareholders after net debt and other adjustments.
Multiple	Valuation ratio such as EV/EBITDA or price/earnings.
Accretion/dilution	Whether a transaction increases or decreases a per-share metric, often EPS.

## Controls, audit, and compliance

Term	Working meaning
Internal control	Process designed to provide reasonable assurance around reporting, operations, or compliance.
Control deficiency	A control design or operating issue that may allow errors or misstatements.
Material weakness	A serious control deficiency creating reasonable possibility of material misstatement.
Reconciliation	Process of comparing records and resolving differences.
Segregation of duties	Dividing responsibilities to reduce error or fraud risk.
SOX	Sarbanes-Oxley Act controls and reporting framework for many public companies.
KYC	Know your customer processes used in financial institutions and compliance programs.
AML	Anti-money laundering controls for detecting and preventing illicit financial activity.

## Finance verbs and meeting language

Term	Working meaning
Bridge	Explain the movement from one number to another through drivers.
Normalize	Adjust results to remove unusual or non-recurring effects.
Stress-test	Evaluate performance under adverse assumptions.
Reprice	Change pricing to reflect cost, risk, demand, or market conditions.
Reserve	Record an estimate for expected loss, liability, or adjustment.
Impair	Reduce asset value when recoverability or fair value requires it.
Escalate	Raise an issue to a higher authority because risk, materiality, or timing requires it.
Reconcile	Compare records, identify differences, and resolve them.

## Common Meeting Moves

### Performance and variance

- The variance is driven by volume, not price, and appears recurring.
- The result beat forecast, but the quality of the beat is mixed because working capital moved against us.
- This is a timing issue for P&L recognition, but it still affects cash this quarter.
- The bridge from budget to forecast has three drivers: mix, hiring delay, and FX.

## Assumptions and forecasts

- What evidence supports this conversion rate relative to the trailing average?
- I would keep that in the upside case until we see qualified leads converting.
- The base case assumes current run rate; the downside case assumes slower collections and margin compression.
- The sensitivity shows that a one-point margin change has a larger impact than the volume change.

## Treasury and liquidity

- Cash is tighter because receivables increased and deferred revenue growth slowed.
- We are not in breach, but the downside case creates covenant headroom risk.
- The revolver provides liquidity, but drawing it changes leverage and lender optics.
- A hedge reduces FX exposure, but it does not remove forecast risk.

## Markets and investment communication

- Performance should be evaluated against the mandate, benchmark, time horizon, and risk taken.
- Duration exposure hurt returns when rates moved higher.
- Spread widening affected credit positions even though fundamentals have not deteriorated equally.
- The portfolio underperformed this month, but attribution shows the main drag was sector allocation, not security selection.

## Credit and risk

- Revenue growth is positive, but repayment capacity depends on cash conversion and coverage.
- Collateral reduces loss severity; it does not guarantee repayment.
- The downside case binds on DSCR before it binds on leverage.
- We can recommend approval with structure: lower advance rate, tighter reporting, and a springing covenant.

## Controls and compliance

- A correct entry can still reveal a control operating deficiency.
- We need to assess magnitude, frequency, compensating controls, and reasonable possibility of misstatement.
- The performance claim needs context, fees basis, benchmark, time period, and risk disclosure.
- This issue should be escalated to compliance before the deck is shared externally.

## Valuation and executive recommendations

- Valuation is a range, not a point estimate, and the range is sensitive to margin and terminal-growth assumptions.
- The add-back is acceptable only if it is documented, non-recurring, and consistent with the definition in the agreement.
- The transaction is strategically attractive, but the integration risk reduces the financial margin of safety.
- My recommendation is to approve, defer, or reject based on return, downside protection, and execution risk.

## Fast Contrast Pairs

Do not confuse	Working contrast
Revenue vs cash	Revenue may be recognized before or after cash is collected, depending on terms and accounting rules.
Net income vs EBITDA	Net income includes more expenses and accounting effects; EBITDA excludes interest, taxes, depreciation, and amortization.

Do not confuse	Working contrast
Profit vs liquidity	A company can be profitable and still lack cash if working capital, debt service, or capex consume cash.
Budget vs forecast	Budget is the approved plan; forecast is an updated estimate based on current information.
One-time vs recurring	One-time should be unusual or non-recurring; recurring items should stay in the run-rate view.
Yield vs total return	Yield is income relative to price or investment; total return includes price changes and income.
Duration vs maturity	Maturity is final repayment date; duration estimates interest-rate sensitivity.
Enterprise value vs equity value	Enterprise value measures the business; equity value reflects value to shareholders after net debt and adjustments.

## Source Orientation

- SEC Investor.gov glossary and SEC guidance on reading Form 10-K financial statements, MD&A, risk factors, and filings.
- FASB Accounting Standards Codification and FASB revenue-recognition and fair-value resources for U.S. GAAP concepts.
- Federal Reserve resources on monetary policy, interest rates, liquidity facilities, and policy tools.
- FINRA investor education and fixed-income resources for yield, volatility, liquidity, duration, and market terminology.
- FDIC supervisory resources on interest-rate risk and banking risk management language.
- CFA Institute Code and Standards and GIPS resources for performance presentation, fair representation, and investment communication.